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ABSTRACT

This report summarizes the accomplishments of the U.S. Department of Education, Office of Inspector General (OIG), for the 6-month period ending March 31, 1993. An audit and inspection of student financial assistance programs administered by the Office of Postsecondary Education found that many postsecondary vocational training programs are funded despite poor job prospects for program graduates. Loan monies were also disbursed incorrectly or fraudulently. Misallocation and abuse of funds were also found among elementary, secondary, and special programs for the disadvantaged and disabled. There were several indictments and prosecutions of proprietary-school officials involving student loan fraud and other offenses. The report's seven chapters describe audit and inspection activities, investigative activities, significant management problems, legislative and regulatory activities, and non-federal audit activities. They also provide a statistical summary, and information on background and organization. Appendices include an index of reporting requirements, audit-resolution tables, reports on programs and activities, unresolved audit reports, significant findings and recommendations of the audit reports, prosecution actions resulting from OIG investigations, and glossaries of abbreviations and terms. (JPT)

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ED358567

U.S. Department of Education
Office of Inspector General

SEMIANNUAL REPORT TO CONGRESS

October 1, 1992 - March 31, 1993 **No. 26**

EA 025 010

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U.S. DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

CULTURE STATEMENT

MISSION STATEMENT: *The mission of the Office of Inspector General is to promote the efficient and effective use of taxpayer dollars in support of American education.*

PEOPLE: *We believe that our people are our most important asset. The importance of the dignity of the individual must prevail in our beliefs and behavior toward one another. We must be ever sensitive that our own dignity is reflected in our behavior toward each other and the public.*

CREATIVITY: *We intend to foster an environment that will capitalize on the talents and capabilities of all OIG employees. We encourage teamwork, innovation, creativity, and the free and open expression of ideas.*

COMMUNICATION: *We support open lines of communication and encourage interaction among all levels of the OIG.*

ACCOUNTABILITY: *We believe in providing employees with a clear understanding of what is expected of them and with the guidance needed to perform these jobs. Each individual is responsible for her/his actions. Managers are responsible for assuring work is fairly evaluated and appropriately recognized.*

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FORWARD THINKING: *We acknowledge that growth and vision are indispensable to the continuity and success of the OIG. We must learn from the past and present how to anticipate and prepare for the future. The OIG is committed to taking the actions necessary to adapt to our changing environment.*

James B. Thomas Jr.

INSPECTOR GENERAL

JULY 1988

U.S. Department of Education
Office of Inspector General

SEMIANNUAL REPORT TO CONGRESS

October 1, 1992 - March 31, 1993 No. 26

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

April 30, 1993

THE INSPECTOR GENERAL

Dear Mr. Secretary:

I am pleased to submit this Semiannual Report on the activities of the Department's Office of Inspector General (OIG) for the six-month period ending March 31, 1993. Submission of the report is in accordance with section 5 of the Inspector General Act of 1978 (Public Law 95-452, as amended). The Act requires that you transmit this report, along with any comments you may wish to make, to the appropriate Congressional committees and subcommittees within 30 days.

The many accomplishments documented in this report serve as testimony to the cooperation and dedication of OIG and program officials striving to achieve a common goal of increasing economy, effectiveness and efficiency in ED programs and operations. The efforts of OIG and Departmental personnel have, during this six-month period, yielded significant monetary, administrative and programmatic benefits for the Department.

As reflected in this report, we have continued a concentration on the Department's student financial assistance (SFA) programs, the number one "high risk area" in the Department. We plan to continue to examine abusive schools but will also review program achievement and the activities of the non-Federal providers in the SFA programs.

As we look to the future, we will also provide greater focus on programs other than SFA, including elementary and secondary education programs. We will be looking at program results to provide recommendations to increase program efficiency and effectiveness. We will also be working toward full implementation of the Chief Financial Officers' Act to improve the management and information systems, and therefore the decision-making processes, of the Department. We look forward to working with Departmental managers to achieve results in these areas.

I feel confident that together, we will continue to serve the interests of the American people and the educational community as we work to assure the effectiveness and integrity of Federal education operations and programs.

Sincerely,

James B. Thomas, Jr.

Enclosure

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202-1510

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EXECUTIVE SUMMARY

This report summarizes the accomplishments of the U.S. Department of Education (ED), Office of Inspector General (OIG), for the six-month period ending March 31, 1993. The report is issued pursuant to the provisions of the Inspector General Act of 1978 (Public Law 95-452, as amended).

The following paragraphs highlight significant audit, inspection and investigative accomplishments and activities of this Office during the six-month reporting period. These activities and accomplishments are described in greater detail in Chapters I, II and III of this report.

AUDIT AND INSPECTION ACTIVITIES

Student Financial Assistance (SFA) Programs

The Office of Postsecondary Education administers Federal financial assistance programs designed to provide access to and improvements in postsecondary education and training programs. In fiscal year (FY) 1993, about $14.6 billion was appropriated for postsecondary education, of which almost $13.5 billion was expended for student financial assistance programs.

Significant audit and inspection results this period in the SFA program area are highlighted below. Our recommendations for corrective action may be found in the corresponding narrative summaries in the body of this report.

- We issued a management improvement report (MIR) which disclosed that the current system for funding postsecondary vocational training affords little assurance that the training provided to students in many such programs will help them obtain gainful employment. Without jobs, they pay less taxes and default on loans more frequently. In summary, both students and taxpayers lose under this system.

  Our review found that, despite the fact that over $725 million in Title IV funds was expended to produce the 96,000 cosmetologists who were licensed in 1990, job prospects are dismal; the current supply of cosmetologists already exceeds the demand. We also found that schools are not being held accountable for the results of their training; as a result, those doing a poor job have little incentive to improve. Because there are no performance standards, there is little incentive for schools to be overly concerned about how many of their students graduate and find jobs—and it is the students, and the taxpayers, who bear the burden of this indifference.

- Our review of data from 12 State guaranty agencies found that 9 of the 12, with approximately $40 billion in loan guarantees, were affiliated with organizations that they are required to monitor. Of the $40 billion in loan guarantees, we identified approximately $11 billion in loan guarantees that are at risk due to the potential conflicts of interest.

- Our audit at three branch campuses of Career Point Business School in Missouri, Texas and Oklahoma found that Career Point did not comply with the disbursement requirements

for Pell Grant funds and for federally guaranteed student loan proceeds; disregarded its satisfactory academic progress policy; assigned an excessive and unreasonable amount of quarter credit hours to its educational programs; and misrepresented the employability of its students.

- Our audit at Microcomputer Technology Institute (MTI), Houston, Texas, disclosed that MTI improperly disbursed Pell Grant funds for incarcerated students during the period July 1988 through December 1991 by overstating attendance costs for incarcerated students and then disbursing Pell funds that the students were not entitled to receive. We also found excessive withdrawal rates and other instances of non-compliance with Title IV program requirements at the prison training locations.

- Our inspection at Moore Career College, Jackson, Mississippi, disclosed that Moore did not comply with Title IV SFA regulations, State regulations, and accreditation agency requirements. We also found a plethora of administrative and operational deficiencies, including certification of apparently forged loan applications; unethical recruiting; inaccurate enrollment and withdrawal records; and inadequate consumer information and educational supplies.

These and other audits, MIRs and inspection reports issued during the reporting period in the SFA program area are discussed in Chapter I and Appendices 6, 7 and 8 of this report.

Elementary, Secondary, and Other Education Programs

The Department's elementary, secondary and special programs offices administer programs of financial assistance to State and local government agencies, institutions of higher education, and other recipients. These programs are intended primarily to establish and improve education and training programs for the disadvantaged, disabled, and other special populations.

Significant audit results this period in the elementary, secondary and special programs area are highlighted below.

- Our audit of the Louisiana Rehabilitation Services Agency, New Orleans, Louisiana, found that the Agency used an estimated $5.8 million in Federal vocational rehabilitation (VR) funds to pay for services that were covered by other funding sources. The Agency also overpaid one State hospital about $588,000 in Federal VR funds because Agency officials made errors in counting VR clients receiving hospital services.

- Two audits of the State of West Virginia for the years ending June 30, 1990, and June 30, 1991, found that the State could not document that it had received and reviewed audit reports for local education agencies to which it had subgranted ED funds under the Educationally Deprived Children, Handicapped State Grants, and Vocational Education - Basic Grants to States programs. The reports contained a total of 179 non-monetary findings and included $99,380,328 in questioned and unsupported costs.

These and other audit reports issued during the reporting period in the elementary, secondary and special programs areas are discussed in Chapter I and Appendix 6 of this report.

Departmental Management

OIG audit reports on Departmental management issues this period identified weaknesses in the Department's lender and guaranty agency audit follow-up and Impact Aid Program site review processes, and significant problems in the area of contract close-out. Two of these audits are highlighted below.

- Our review of the Office of Postsecondary Education's Lender and State Agency Review Branch (LSARB) found that LSARB lacked adequate controls to assure that auditees corrected the deficiencies identified during audits, and paid audit-related accounts receivable. As a result, LSARB did not know that the guaranty agencies had failed to pay ED almost $1 million in disallowed costs that the agencies were to return through on-site adjustments or offsets against future claims.

  LSARB also lacked adequate controls to assure that each guaranty agency performed required biennial program reviews of lenders and institutions. We found that two of the 46 lenders at which guaranty agencies failed to perform program reviews during the 1989-90 review period originated about $193.3 million in guaranteed loans and received about $48.7 million in guaranteed student loan funds during the 1989–90 review cycle.

- Our review of the Department's contract close-out process found that, as of March 14, 1992, more than 73 percent of the Department's 779 expired contracts were not closed within the time frames required by Federal regulations. More important, over 53 percent of the expired contracts had $18 million available in unexpended contract funds remaining on the books that should have been deobligated. Other deficiencies in the Department's contract close-out process were also identified during our review.

These and other audit reports issued during the reporting period on Departmental management issues are discussed in Chapter I and Appendix 6 of this report.

INVESTIGATIVE ACTIVITIES

Proprietary Schools and School Officials

This period a number of indictments and successful prosecutions of proprietary-school officials were achieved as a result of OIG investigations and cooperative efforts with other Federal and State and local law enforcement agencies. The following are some of our most significant cases.

- Two former owners of Michigan Paraprofessional Training Institute, Oak Park, Michigan, were sentenced on their convictions for student loan fraud and payroll tax evasion. The two were each sentenced to 18 months imprisonment and ordered to serve a 3-year term of supervised release following their prison terms, and to jointly pay restitution in the amount of $1,174,136. A joint OIG/U.S. Secret Service investigation found evidence that the subjects had fraudulently obtained and spent more than $600,000 in Federal education grants, and that the school had obtained $500,000 in illegal loans through the submission of 163 false student loan applications to various banks in the names of former students or persons who did not exist.

- Three officials of Advance Business College (ABC), Aguada, Puerto Rico, pled guilty to fraud charges after an OIG investigation developed evidence that ABC operated four branch campuses without a license from the Puerto Rico Department of Education and had fraudulently requested and misappropriated $3,335,729 in Pell Grant funds for students enrolled at these ineligible branch campuses.

School Employees

The following are examples of successful prosecutions this period against school employees who violated their positions of trust by defrauding the SFA programs.

- A former assistant financial aid director for the University of Nebraska at Omaha (UNO), Omaha, Nebraska, pled guilty to a two-count felony information charging her with student financial aid fraud and mail fraud. Investigation disclosed that the subject used her position as assistant financial aid director at UNO to fraudulently receive and/or disburse a total of $53,835 in Federal, State, and privately funded financial aid.

- A former director of financial aid at three institutions in Kansas City, Missouri, pleaded guilty to a one-count information charging SFA fraud in the Western District of Missouri. Our investigation disclosed that the subject fraudulently obtained $25,220 in PLUS funds by using the names and Social Security numbers of students enrolled at the schools. Further evidence was found that the subject falsely certified and submitted a student loan deferment form for guaranteed student loan funds she received, which caused the Department to pay interest to the lending institution during her extended grace period.

Other Investigative Cases

The following are selected examples of OIG cases that resulted this period in successful prosecutions of individuals who obtained or attempted to obtain student aid funds through fraudulent means.

- An individual was sentenced on New Jersey State charges to nine months in jail and five years probation and ordered to pay $21,124 in restitution and serve 100 hours of community service. The subject had posed as a Princeton University student, using a false name and date of birth to fraudulently obtain $40,620 in student financial assistance, $18,220 of which was federally funded.

- A former Internal Revenue Service employee was sentenced in the Eastern District of Pennsylvania to three years probation and six months home confinement, and was ordered to make full restitution of all fraudulently obtained Federal and non-Federal aid. A joint OIG/Postal Inspection Service investigation developed evidence that the subject, who earlier pleaded guilty to charges of mail fraud and making a false statement, fraudulently obtained $24,595 in financial aid to finance his daughter's education at Temple University in Philadelphia.

- An individual pled guilty to two counts of mail fraud in the Southern District of New York as the result of an information charging her with two counts of mail fraud and two counts of SFA fraud. A joint OIG/Postal Inspection Service investigation found evidence that the subject attempted to obtain $44,075 in SFA by falsifying the school portion of 11 Stafford and PLUS applications to attend the University of St. Andrews, St. Andrews, Fife, Scotland.

During this Semiannual reporting period, the OIG has conducted several investigations into the activities of various fraud rings across the nation. Three of these are highlighted below.

- A Federal grand jury in the Southern District of Texas indicted 11 individuals on SFA fraud and general principals charges for conspiring to defraud the Supplemental Loans for Students program of $280,000. An additional 30 individuals have entered into a pre-trial diversion agreement or have made other arrangements to repay the loans illegally obtained.

- Eleven individuals were sentenced in the Northern District of Louisiana, Shreveport, Louisiana, after pleading guilty to bills of information charging mail fraud, SFA fraud, and use of a false Social Security number. The leader of the fraud ring was sentenced to 3 years and 10 months in prison and ordered to make restitution of $328,000. The remaining 10 individuals were sentenced to varying terms of imprisonment or probation and ordered to make restitution of amounts ranging from $1,040 to $68,000.

- Our investigation of a PLUS loan fraud scheme in Detroit, Michigan, resulted in the sentencing of 10 individuals in the Eastern District of Michigan, including two former Detroit police officers. The two former officers were sentenced, respectively, to 15 and 14 months in prison and 3 and 2 years of supervised probation, and were ordered to pay $48,000 and $44,000 in restitution. A third participant, who was recruited by the creators of the fraud scheme to help solicit others to accept PLUS checks, was sentenced to two years in prison and three years supervised release, and was ordered to pay $83,968 in restitution.

These and other significant prosecutive actions of the reporting period resulting from OIG investigations are discussed in Chapter II and Appendix 9 of this report.

SIGNIFICANT MANAGEMENT PROBLEMS AND HIGH RISK AREAS

In our last Semiannual Report, we highlighted progress made in 7 of what our previous Semiannual Report had identified as the 10 most significant problem areas in the Department. This period, we noted further improvements in each of these areas, as well as progress made in the remaining 3 of the 10 problem areas originally identified. The results of our efforts and those of ED managers to address these problems during the period are described in detail in Chapter III of this report.

STATISTICAL PROFILE

October 1, 1992 to March 31, 1993

(M = million)

AUDIT REPORTS ISSUED OR PROCESSED	3,105
—Questioned Costs	$ 110.9 M
—Unsupported Costs	$ 132.1 M
—Recommendations for Better Use of Funds	$ 46.4 M
AUDIT REPORTS RESOLVED BY PROGRAM MANAGERS	955
—Questioned Costs and Other Recommended Recoveries Sustained	$ 228.8 M
—Unsupported Costs Sustained	$ 10.7 M
—Additional Disallowances Identified by Program Managers	$ 61.0 M
—Not Recoverable	$ (196.5 M)
—Total Demand for Recovery	$ 104.0 M
—Management Commitment to Better Use of Funds	$ 210.2 M
INVESTIGATIVE CASE ACTIVITY	
—Cases Active at End of Period	912
—Cases Referred for Prosecution	129
INVESTIGATION RESULTS	
—Indictments/Informations	133
—Convictions/Pleas	163
—Fines Ordered	$ 25,033
—Restitutions Ordered	$ 3,589,822
—Restitution Payments Collected	$ 691,148
—Civil Settlements	$ 803,500
ACTUAL RECOVERIES FROM AUDITS AND INVESTIGATIONS	$ 9.4 M
MANAGEMENT IMPROVEMENT REPORTS	
--Reports Issued	3
--Recommendations for Better Use of Funds	- 0 -
--Reports Resolved by Program Managers	6
--Management Commitment to Better Use of Funds	$ 28.25 M
DEBARMENT/SUSPENSION ACTIVITIES	
--OIG Requests for Departmental Action	12
--Individuals/Entities Debarred	24
--Individuals/Entities Suspended	5
HOTLINE ACTIVITIES	
--Allegations Received	47
--Allegations Closed	27
--Allegations Substantiated	2

Chapter I
AUDIT AND INSPECTION ACTIVITIES

A. INTRODUCTION

1. Audit Activities

As required by the Inspector General Act of 1978, the Department of Education's (ED) Office of Inspector General (OIG) is responsible for conducting and supervising audits related to programs and operations of the Department of Education for the purpose of promoting economy, efficiency and effectiveness in the administration of, and preventing and detecting fraud, waste and abuse in, such programs and operations. This responsibility is carried out through audits conducted by OIG staff, and through guidance for and monitoring of the work of non-Federal independent auditors.

2. Inspection Activities

The OIG inspection process combines the skills of auditors and investigators in short-term reviews of schools having high default rates or other indicators of abuse. OIG inspections result in recommendations for prompt cut-off of funds where appropriate and for administrative action by Department officials including, where appropriate, a substantial fine and recovery of Title IV funds improperly retained by the school.

* * *

Significant audit and inspection results this period are highlighted below. Information regarding the status of resolution action on audit, inspection and management improvement reports issued this period is provided in this chapter where such information is available. Those reports for which such information is not provided are in the process of being resolved.

B. STUDENT FINANCIAL ASSISTANCE PROGRAMS

The Office of Postsecondary Education (OPE) administers Federal financial assistance programs designed to provide access to and improvements in postsecondary education and training programs. In fiscal year (FY) 1993, about $14.6 billion was appropriated for postsecondary education, of which almost $13.5 billion was expended for student financial assistance (SFA) programs. The SFA expenditures and guarantees primarily provide aid to students in the form of grants, loan guarantees, and earnings through work-study programs.

The SFA programs include the Pell Grant, Supplemental Education Opportunity Grant, State Student Incentive Grant, College Work-Study, Perkins Loan, and Federal Family Education Loan Program (FFELP) programs. The FFELP programs consist of the Stafford Loan, Supplemental Loans for Students (SLS), PLUS, and Consolidated Loan programs.

TITLE IV FUNDING FOR VOCATIONAL TRAINING SHOULD CONSIDER LABOR MARKET NEEDS AND PERFORMANCE STANDARDS

MIR 93-03; March 12, 1993

Title IV of the Higher Education Act makes funds available to students without regard to labor-market needs or the performance standards of schools. The emphasis of that system is on the enrollment of students in educational programs and not on the educational and vocational outcomes for the student. Nonetheless, before taxpayers and students invest precious educational resources for job training, it is only prudent to expect that students should have a reasonable anticipation of finding a job in their chosen field.

With that perspective in mind, OIG auditors began the process of gathering empirical data and analyzing whether, in the case of vocational training institutions, the Title IV programs were accomplishing the goal of preparing students for gainful employment. The study was limited to cosmetology schools because they are frequent participants in the Title IV programs and have often been the subjects of OIG audits and investigations. However, there is no reason to believe that similar problems would not exist in other vocational occupations had the same analysis been performed. Our findings and recommendations follow.

WHAT WE FOUND

The current system affords little assurance that the training provided to students in many vocational training programs will help them obtain gainful employment. Without jobs, they pay less taxes and default on loans more frequently. In summary, both students and taxpayers lose under this system.

Our review found that over $725 million in Title IV funds was expended to produce the 96,000 cosmetologists who were licensed in 1990. Yet job prospects for the tens of thousands of cosmetologists trained each year are dismal; the current supply of cosmetologists already exceeds the demand.

The lack of available jobs almost certainly accounts, at least partially, for the high default rate of loans made to cosmetology students. This problem is compounded by the fact that the majority of cosmetology students who default on loans did not complete their training and obtain a license.

Besides labor market needs, school performance is another factor not considered under the current system. Schools are not being held accountable for the results of their training; as a result, those doing a poor job have little incentive to improve. Costs to the Title IV programs at schools that are doing poorly can be exorbitant: Our audits at five cosmetology schools lo-

cated in the States of Louisiana, New Mexico, Texas, Oklahoma and Arkansas disclosed that, of the 3,055 students enrolled at the five schools, only 432 (14 percent) completed the training and received a cosmetology license. In summary, about $13.4 million in Title IV funds was expended but only 432 students obtained their cosmetology license.

Under the current method of funding vocational training, an eligible school can enroll as many students as possible and disburse as much Title IV funding as is available. Because there are no performance standards, there is little incentive for schools to be overly concerned about how many of their students graduate and find jobs—and it is the students, and the taxpayers, who bear the burden of this indifference.

WHAT WE RECOMMENDED

Our report concluded that it is time to begin exploring the feasibility of different funding approaches that would maximize the return on Title IV funds invested and provide incentives for schools to do better. We recommended that the Department take the lead in convening an interagency task force to study different funding approaches for students enrolled in vocational training programs, and that the different funding approaches considered by the task force include:

1) the labor market needs of employers—thus in effect limiting Title IV funds to training those in high-demand occupations; and

2) the success rates of schools in placing graduates—thus helping ensure that funds are not wasted for training students at schools which have demonstrated little success in graduating and placing students.

ED SHOULD PROHIBIT CONFLICTS OF INTEREST BETWEEN GUARANTY AGENCIES AND AFFILIATED ORGANIZATIONS

MIR 93-02; March 15, 1993

WHAT WE FOUND

We obtained data from 12 guaranty agencies and found that 9 of the 12, with approximately $40 billion in loan guarantees, were affiliated with organizations that they are required to monitor. Of the $40 billion in loan guarantees, we identified approximately $11 billion in loan guarantees that are at risk due to the potential conflicts of interest. Affiliations with a loan

servicer, secondary market, or other FFELP service provider compromise a guaranty agency's impartiality in administering the loan insurance program, and ensuring that lenders exercise due diligence in collecting insured loans.

WHAT WE RECOMMENDED

We recommended that the Department amend its regulations, or, if necessary, seek legislative change to:

1) prohibit guaranty agencies or their officers and employees from having any affiliation with an entity that is a participant or a service provider in the FFELP; and

2) develop timetables for the guaranty agencies and their officers and employees to divest themselves of their current holdings or to legally separate the guaranty agency from its affiliates.

UPDATE: Phillips Colleges, Inc.

In our last Semiannual Report *(Semiannual Report to Congress No. 25*, page 7), we discussed our audit and inspection efforts at **Phillips Colleges, Inc.**, which was at the time the largest chain of proprietary schools in the United States. Our reviews disclosed serious and repetitive violations in the administration of the SFA programs by both Phillips's corporate headquarters and its schools, including the use of commissioned salespersons to encourage students to finance their education with federally guaranteed student loans. (Promotional activities of this nature are prohibited by program regulations). Our audit of Phillips's corporate headquarters in Gulfport, Mississippi *(ACN 04-10006; July 15, 1992)* concluded that Phillips did not possess either the administrative capabilities or the financial responsibility required for participation in the SFA programs. Based on our findings, we recommended termination of Phillips and its schools from participation in the SFA programs.

ED Officials Sustain Key Recommendation, Direct Corporation to Refund $155 M

This period, ED officials issued a letter to the president of Phillips Colleges, Inc., setting forth the Department's program determination regarding our audit of Phillips's corporate headquarters and advising what steps need to be taken to address any finding that had not as yet been satisfactorily addressed. Chief among the Department's determinations with regard to this report, the letter sustained our finding on Phillips's use of commissioned salespersons to promote the availability of guaranteed student loans and directed Phillips to repay approximately $155,000,000 (or the actual amounts, if Phillips can determine them) to the appropriate Stafford and SLS lenders. In addition, Phillips must calculate the related interest and special allowance associated with the repayment and remit that amount to ED.

In the program determination letter, the Department noted that "(t)he use of commissioned salespersons to promote the availability of the Guaranteed Student Loan Program is a very serious violation of Federal regulations and a basis for fine, limitation, suspension, and termination proceedings." The letter further advised that a "formal administrative action" may, accordingly, be initiated pursuant to applicable regulations.

CAREER POINT BUSINESS SCHOOL

Kansas City, Missouri; San Antonio, Texas; Tulsa, Oklahoma

ACN 07-10076; February 26, 1993

WHAT WE FOUND

Career Point Business School did not comply with the disbursement requirements for Pell Grant funds and for Stafford Loan and SLS program loan proceeds; disregarded its satisfactory academic progress policy; assigned an excessive and unreasonable amount of quarter credit hours to its educational programs; and misrepresented the employability of its students.

Career Point also had high withdrawal and default rates, and did not comply with specific regulations governing the Pell Grant, Stafford Loan and SLS programs.

WHAT WE RECOMMENDED

We recommended that the Department terminate Career Point Business School's eligibility to participate in the Title IV programs. We estimate that $4.25 million in Federal SFA funds could be better used if our recommendation is implemented.

We also recommended that ED require Career Point Business School to:

1) refund to ED $7.0 million in Pell Grant funds disbursed from July 1, 1988 through December 31, 1990, and all Pell Grant funds inappropriately disbursed since December 31, 1990;

2) purchase from lenders all outstanding Stafford and SLS loans made to students enrolled in its schools since July 1, 1988, and refund to ED loans made since July 1, 1988, that subsequently defaulted; and

3) calculate and refund to ED interest and special allowance paid on Stafford loans made since July 1, 1988.

SAN JUAN CITY COLLEGE

San Juan, Puerto Rico

ACN 02-10017; February 2, 1993

WHAT WE FOUND

Our audit disclosed that San Juan City College (SJCC) assigned an unreasonable and excessive number of credit hours to its courses when converting them from a clock-hour to a credit-hour basis. As a result, SJCC improperly increased the amount of Pell Grant funds for which a student could be eligible, without increasing the actual hours of attendance or actual length of its programs.

WHAT WE RECOMMENDED

We recommended that ED direct SJCC to:

1) determine the amount of Pell Grant overawards made to SJCC students as a result of excessive clock- to credit-hour conversions for the award year 1989-90 and refund those amounts to ED, or refund $1,629,000 in estimated overawards to ED;

2) determine and refund to ED all Pell overawards made to SJCC students for award years 1987-88, 1988-89, 1990-91 and 1991-92, which we estimate to be $5,797,000; and

3) assign credit hours to its courses using a technique that ensures an equivalence between clock hours and credit hours.

MICROCOMPUTER TECHNOLOGY INSTITUTE

Houston, Texas

ACN 06-20002; October 14, 1992

WHAT WE FOUND

Microcomputer Technology Institute (MTI) improperly disbursed Pell Grant funds for incarcerated students during the period July 1988 through December 1991 by overstating attendance costs for incarcerated students and then disbursing Pell funds that the students were not entitled to receive. We also found excessive withdrawal rates and other instances of noncompliance with Title IV program requirements at the prison training locations.

WHAT WE RECOMMENDED

We recommended that MTI cease awarding and disbursing Pell grants to incarcerated students. Implementing this recommendation will result in better use of over $2.2 million of Pell Grant funds annually. We also recommended that MTI or its owners be required to refund the $5.57 million in Pell grants disbursed for over 3,300 incarcerated students from July 1, 1988 through December 31, 1991, as well as any additional Pell funds disbursed after that date.

SOUTHEASTERN UNIVERSITY

Washington, DC

ACN 03-10002; December 31, 1992

WHAT WE FOUND

Southeastern University's administration of the SFA programs was seriously deficient in the areas of administrative capability, non-adherence to SFA regulations pertaining to admissions standards, satisfactory academic progress, financial aid transcripts, student eligibility, and unrefunded student account balances. As a result of the findings noted, we estimated that Southeastern improperly expended approximately $799,250 during the period July 1, 1989 through June 30, 1991.

WHAT WE RECOMMENDED

Due to the serious nature of the problems identified, we recommended that ED terminate Southeastern's eligibility to participate in the Department's SFA programs. We estimate that approximately $1,145,000 of Title IV SFA funds will be better used during the next year if our recommendation is implemented.

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

Sun Prairie, Wisconsin

ACN 05-20006; March 12, 1993

WHAT WE FOUND

Diesel Truck Driver Training School, Inc., misclassified instructional hours offered as part of the Commercial Driver Training Program, thereby overstating program length when it calculated the number of semester hours of training provided. As a result, for the period August 29, 1989 through May 20, 1992, it improperly awarded and disbursed Pell funds to stu-

dents. In addition, Diesel maintained excess Federal cash balances, did not always make guaranteed student loan refunds or make them in a timely fashion, and made an ineligible second Pell disbursement.

WHAT WE RECOMMENDED

We recommended that the Department instruct Diesel to:

1) refund to ED $2,480,651 of questioned Pell Grant funds disbursed between August 29, 1989 and June 30, 1991; and

2) determine how much in Pell funds was disbursed after June 30, 1991, and refund that amount to ED.

In its response to our draft report, Diesel stated that it no longer offers programs that are eligible for Title IV funds. Accordingly, we recommended that the Department initiate immediate action to terminate Diesel's eligibility to participate in Title IV programs. Implementing the above recommendations will result in annual better use of about $1.9 million.

MOORE CAREER COLLEGE

Jackson, Mississippi

N-0020928; January 22, 1993

WHAT WE FOUND

Our inspection of Moore Career College disclosed:

1) deficient ability-to-benefit determinations;

2) inadequate implementation of default reduction measures;

3) inadequate refund procedures;

4) incorrect calculation of SFA awards;

5) incorrect determination of student eligibility; and

6) abuses in the school's Truck Driver Training program.

We also found a plethora of administrative and operational deficiencies, including:

1) certification of allegedly forged loan applications;

2) unethical recruiting;

3) inadequate consumer information;

4) inaccurate enrollment and withdrawal records; and

5) inadequate educational supplies.

The combined effects of these deficiencies and violations show that Moore cannot adequately administer the Title IV SFA programs and does not meet the standards required for continued participation in the programs.

WHAT WE RECOMMENDED

We recommended that the Department initiate termination and fine proceedings against Moore, and immediately revoke the eligibility of the Truck Driver Training program. We also recommended that action be taken to recover any Title IV funds inappropriately retained by Moore.

INTERNATIONAL TECHNICAL INSTITUTE

Tampa, FL

N-0020930; March 2, 1993

WHAT WE FOUND

The inspection disclosed that International Technical Institute (ITI):

1) improperly awarded and disbursed SFA;

2) failed to make SFA refunds;

3) failed to assure student eligibility; and

4) exhibited many administrative and operational deficiencies.

Many of the areas of noncompliance discovered during the inspection represent recurring problems that have been reported repeatedly since 1989. The combined effects of these deficiencies and violations show that ITI cannot adequately administer the Title IV programs and does not meet the standards required for continued participation in the programs.

WHAT WE RECOMMENDED

We recommended that the Department initiate termination and fine action against ITI and that action be taken to recover all Title IV funds improperly retained by ITI.

COASTAL COLLEGE

New Orleans, Louisiana

N-0020926; October 27, 1992

WHAT WE FOUND

Our inspection of Coastal College disclosed:

1) deficient ability-to-benefit determinations;

2) inappropriate activity by commissioned sales staff;

3) misrepresentations to students;

4) inadequate refund procedures [previous reviews of Coastal's SFA programs had also disclosed refund problems];

5) inadequate implementation of default reduction measures;

6) abuses in the school's trucking program; and

7) deficiencies in administrative and operational procedures.

Coastal violated numerous regulations relating to administrative capability, student eligibility, and student consumer information services. Coastal also violated policies of its accrediting and licensing agencies, and failed to consistently provide adequate educational resources.

The worst of the abuses by Coastal occurred in the Advanced Truck Driving Program. Our inspection found that school officials inflated the length of the program, provided students with unauthorized copies of the State licensing examination, coached students to provide false information, required out-of-State students to obtain a Louisiana driver's license, and misrepresented its refund policy.

The combined effects of these deficiencies and violations show that Coastal cannot adequately administer the Title IV programs and does not meet the standards required for continued participation in the programs.

WHAT WE RECOMMENDED

We recommended that the Department initiate termination and fine action against Coastal College and that action be taken to recover all Title IV funds improperly retained by Coastal.

C. ELEMENTARY, SECONDARY, AND OTHER EDUCATION PROGRAMS

The Department's elementary, secondary and special programs offices administer programs of financial assistance to State and local government agencies, institutions of higher education, and other recipients. These programs are intended primarily to establish and improve education and training programs for the disadvantaged, disabled, and other special populations. The elementary, secondary and special programs offices administer over 150 programs receiving over $15 billion of the Department's budget.

UPDATE: Violation of Conflict-of-Interest Laws

California State Superintendent of Public Instruction

In our last Semiannual Report (*Semiannual Report to Congress No. 25*, page 17), we reported on an OIG audit (*ACN 09-10202; April 3, 1992)* which found that the California State Superintendent of Public Instruction had engaged in a pattern of activity that materially benefited the financial condition of Quality Education Project (QEP), a nonprofit public benefit corporation. Our report stated our belief that these acts violated the conflict-of-interest prohibitions contained in the California Political Reform Act of 1974 because QEP was one of the superintendent's sources of income. The superintendent's wife was the president of QEP and received a substantial annual salary.

As a result of a separate State investigation, a Sacramento, California, grand jury indicted the superintendent for violations of the State's conflict-of-interest laws.

State Superintendent of Public Instruction Convicted, Sentenced for Conflict-of-interest Violations

This period, Louis J. "Bill" Honig, California State Superintendent of Public Instruction, was found guilty on all four counts in his felony conflict-of-interest trial. The jury agreed with prosecutors that Honig had illegally steered over $330,000 in public contracts to QEP.

Under State law, Honig was suspended immediately after the verdict, and was removed from his position upon sentencing. Honig was placed on probation for four years and was ordered to perform 1,000 hours of community service and to pay the State of California $337,509 in restitution plus a fine and court costs totaling $10,800.

LOUISIANA REHABILITATION SERVICES

New Orleans, Louisiana

ACN 06-20204; January 5, 1993

WHAT WE FOUND

The Louisiana Rehabilitation Services Agency used an estimated $5.8 million in Federal vocational rehabilitation (VR) funds to pay for services that were covered by other funding sources. We identified over $4.1 million that had been paid to three State hospitals for inpatient services which were fully reimbursed for the same services, primarily by the Medicaid program. Furthermore, we estimated that overpayments of another $1.5 million were made to one of the hospitals. We estimated the amount of these payments because access to patient records was not provided. In addition, we found that the Agency paid about $184,000 for services to VR clients in a State-operated rehabilitation dormitory. All of the dormitory clients were eligible for Medicaid or Medicare, but no effort was made to obtain those benefits.

The Agency also overpaid one State hospital about $588,000 in Federal VR funds because Agency officials made errors in counting VR clients receiving hospital services. The hospital used these counts to calculate charges to the VR program and to prepare monthly billings.

WHAT WE RECOMMENDED

We recommended that the Agency be required to strengthen its procedures for ensuring that comparable services and benefits provided by other agencies are considered and used, and that VR funds are spent only for services not paid by other sources. We also recommended that the Agency be required to refund either the estimated $5.6 million paid to the hospitals, or refund the $4,110,310 of actual overpayments and determine and refund additional overpayments for those VR clients whose records we were unable to review. Implementation of these and other recommendations made in the report will result in the better use of an estimated $2.1 million of VR funds annually.

With regard to its overpayment of Federal VR funds to a State hospital, the Agency recognized that its count procedures resulted in overcharges to the VR program and in July 1990 corrected the problem. However, the $588,000 overpaid to the hospital was not returned to the VR program. We recommended that the Agency be required to refund the $588,000.

STATE OF WEST VIRGINIA

Charleston, West Virginia

ACN 03-23212; November 25, 1992

ACN 03-23238; February 15, 1993

WHAT WAS FOUND

The reports contained a total of 179 non-monetary findings and included $99,380,328 in questioned and unsupported costs for the two years ending June 30, 1991. The most significant of the monetary findings are described below.

The auditors found that the State of West Virginia could not document that it had received and reviewed audit reports for local education agencies to which it had subgranted ED funds. The auditors reported unsupported costs of $70,602,880 under the Educationally Deprived Children program, $20,659,731 under the Handicapped State Grants program, and $7,162,405 under the Vocational Education – Basic Grants to States program.

The auditors also identified disbursements totaling $616,137 made to subrecipients where the applicable requests for funds did not bear the signatures of fiscal office personnel and/or program personnel indicating approval. Additionally, the State was unable to provide documentation to support disbursements made to subrecipients in the amount of $322,048.

COMMONWEALTH OF PENNSYLVANIA

Harrisburg, Pennsylvania

ACN 03-23136; December 29, 1992

WHAT WAS FOUND

The Pennsylvania Department of Education (PDE) had reduced its 1990 fiscal effort on vocational education programs by $4,109,159 from State fiscal year 1989 levels, and therefore did not meet program requirements for maintenance of effort. The auditors determined a total maintenance-of-effort shortfall of $7,405,124 calculated from the last State fiscal year for which the requirement had been met.

The auditors questioned $39,603,000 in Vocational Education–Basic Grants to States Program funds which PDE had expended during FY 1991. The auditors found that the 1987, 1988

and 1989 data used by PDE to calculate needed effort was not comparable to the 1990 data.

Further, the auditors found that PDE could not provide the detailed source documents that were to have been submitted by Philadelphia School District to document public and nonpublic Chapter 2 enrollments. The auditors identified $2,310,505 in unsupported costs which had been allocated to Philadelphia School District by PDE under the Federal, State, and Local Partnerships for Educational Improvement Program.

PUERTO RICO DEPARTMENT OF EDUCATION

Hato Rey, Puerto Rico

ACN 02-23049; December 29, 1992

WHAT WAS FOUND

The auditors found that the Puerto Rico Department of Education (PRDE) had not adequately complied with Federal requirements for audit and monitoring of subrecipients to which it provided funding under Chapter 1 of the Elementary and Secondary Education Act. In relation to this finding, the auditors identified $2,179,014 in unsupported costs. That amount includes $1,825,270 transferred to a subrecipient that was later debarred by ED for failure to document participant eligibility.

The auditors also identified $985,866 in accounts receivable outstanding for one year or more relating to overpayments to employees which had been charged to Federal programs.

WHAT WE RECOMMENDED

The OIG has recommended the recovery of $985,866 in accounts receivable outstanding from the Puerto Rico Department of Education, as the auditors state that PRDE is not processing accounts receivable on a timely basis.

D. DEPARTMENTAL MANAGEMENT

OIG audit reports on Departmental management issues this period identified weaknesses in the Department's lender and guaranty agency audit follow-up and Impact Aid Program site review processes, and significant problems in the area of contract close-out. Highlights of these reports are presented in the following paragraphs.

OPE'S LENDER AND GUARANTEE AGENCY OVERSIGHT FUNCTION SHOULD FOCUS MORE ON AUDIT FOLLOW-UP

Washington, DC

ACN 11-20015; December 1, 1992

WHAT WE FOUND

The Office of Postsecondary Education's Lender and State Agency Review Branch (LSARB) lacked adequate controls to assure that auditees: 1) corrected the deficiencies identified during audits, and 2) paid audit-related accounts receivable. As a result, LSARB did not know that the guaranty agencies had failed to pay ED almost $1 million in disallowed costs that the agencies were to return through on-site adjustments or offsets against future claims.

LSARB also lacked adequate controls to assure that each guaranty agency performed required biennial program reviews of lenders and institutions. Ten of the guaranty agencies we reviewed did not perform program reviews at a total of 46 lenders and institutions during the 1989-90 review period. In addition, 5 of the 46 lenders and institutions were never reviewed by either a guaranty agency or SFA program reviewers. Of the five, we noted that two lenders originated about $193.3 million in guaranteed loans and the two institutions received about $48.7 million in guaranteed student loan funds during the 1989-90 review cycle.

WHAT WE RECOMMENDED

We recommended that LSARB:

1) Notify the Department's Accounting and Financial Management Service (AFMS) to establish accounts receivables totaling almost $1 million for the four guaranty agency audit reports described above;

2) Implement an audit resolution and follow-up system that will track audits until it receives documentation verifying that auditees completed all corrective actions and paid amounts due the Department;

3) For all prior guaranty agency audit reports, identify all recommendations that auditees have not implemented and all audit-related accounts receivables not paid, and notify AFMS to establish accounts receivables for amounts not recovered; and

4) Establish a goal to elevate program reviews to the Assistant Secretary when it cannot reach a decision within six months from the program review issue date.

STATUS

Department managers are generally taking positive steps to correct deficiencies identified in this report. OPE reported collecting over $600,000 on the outstanding receivables as of December 1992. In addition, OPE has reviewed prior Program Determination Letters and verified corrective actions for completeness. OPE also reported notifying AFMS to establish accounts receivables for amounts not recovered. Finally, OPE is developing a database system that will produce a report for use in tracking audit recommendations.

In responding to our draft report, OPE management disagreed with our recommendation that LSARB elevate program reviews to the Assistant Secretary when it cannot reach a decision within specified timeframes. Further, they reported that OPE is developing appropriate tracking systems for significant program review actions, will be reporting the status of reviews through such systems, and that, in their view, elevating program review decisions to the Assistant Secretary would be unlikely to improve the timeliness of program review actions.

IMPACT AID PROGRAM SITE REVIEW PROCESS

Washington, DC

ACN 11-20202; March 17, 1993

WHAT WE FOUND

The Impact Aid Program's (IAP) policy of allowing recipients to hold interest-free overpayments during a 150-day collection period, combined with the untimely processing of site reports, cost ED an average of $582,000 a year in lost interest. We also found that IAP management could realize an additional $3.8 million in adjustments each year if they concentrated their site-review coverage on the largest program recipients.

WHAT WE RECOMMENDED

We recommended that IAP managers:

1) assess interest on overpayments during the period for which the overpayments are outstanding; and

2) plan more site reviews of the largest program recipients.

STATUS

IAP management did not agree with our first recommendation, primarily because IAP's accounting system was not capable of calculating and collecting interest. Rather than assess interest, IAP management stated that they plan to take steps to reduce the amount of outstanding receivables.

Regarding our second recommendation, IAP management generally concurred and stated that they have established a total quality management team to study their site review criteria and streamline the process.

CONTRACT CLOSE-OUT PROCESS

Washington, DC

ACN 11-00333; March 17, 1993

WHAT WE FOUND

As of March 14, 1992, more than 73 percent of the Department's 779 expired contracts were not closed within the time frames required by Federal regulations. More important, over 53 percent of the expired contracts had $18 million available in unexpended contract funds remaining on the books that should have been deobligated. In addition, over $10.9 million of the available funds represented contracts which the Grants and Contracts Service (GCS) had already closed out and had sent the files to the Federal records center. Finally, we noted that key reports were missing from expired contract files and, in 11 percent of our sample, GCS could not locate the contract files at all.

WHAT WE RECOMMENDED

We recommended that GCS:

1) review its current balance of unexpended contract funds for all expired contracts that are past the Federal Acquisition Regulations time frames and request the deobligation of any excess funds;

2) prepare a time schedule to complete the closure of the remaining 563 expired contracts amassed since 1985, and reassess the workload requirements and corresponding allocation of staff resources to assure that contracts are closed out as well as awarded in a timely manner; and

3) revise the procedures so as to designate the specific time frames that GCS and other ED personnel involved in closing contracts must meet.

STATUS

The Department concurred with our recommended corrective actions and stated that it plans to implement them.

Chapter II
INVESTIGATIVE ACTIVITIES

A. INTRODUCTION

The OIG is responsible for investigating allegations of fraud and abuse relating to the Department's programs and operations. These investigations may be of individual recipients of Federal funds or of those who benefit from or administer the Department's programs. The OIG also investigates allegations of misconduct by Department employees. OIG investigative findings often result in criminal prosecutions at the Federal, State or local level. They may also form the basis for administrative action by program officials or for civil action initiated by the Department to recover funds.

B. PROPRIETARY SCHOOLS AND SCHOOL OFFICIALS

A number of OIG investigations over the last several years have identified fraudulent practices by trade schools and school officials. These investigations have resulted in prosecutive actions ranging from fines and restitutions ordered to sentences of imprisonment, home detention, probation and community service.

This period a number of indictments and successful prosecutions of proprietary-school officials were achieved as a result of OIG investigations and cooperative efforts with other Federal and State and local law enforcement agencies. Highlights of selected cases are presented in the following pages.

MICHIGAN PARAPROFESSIONAL TRAINING INSTITUTE

Oak Park, Michigan

Michael (Miguel) Alvarez Prendes and Shirley A. Stofflet (aka Shirley A. Prendes), former owners

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Training School Owners Sentenced to 18 Months in Prison, Ordered to Pay $1,174,136 in Restitution

Miguel Prendes and Shirley Stofflet (Prendes), former owners of Michigan Paraprofessional Training Institute, were sentenced on their convictions for student loan fraud and payroll tax evasion. Each had earlier pled guilty to a superseding information in the Eastern District of Michigan charging one count each of SFA fraud and income tax fraud totaling $1,165,000. The two were previously named in a six-count indictment charging SFA fraud, false statements, and conspiracy to defraud the United States.

Prendes and Stofflet were each sentenced to 18 months imprisonment and ordered to serve a 3-year term of supervised release following their prison terms, and to jointly pay restitution in the amount of $1,174,136. A joint OIG/U.S. Secret Service investigation revealed that the subjects overstated the amount of grant money for which their students were eligible.

Michigan Paraprofessional Training Institute provided training for paraprofessional and assistant positions in the medical and dental fields. By the time the school closed in 1991, the subjects had fraudulently obtained and spent more than $600,000 in Federal education grants. The school also obtained $500,000 in illegal loans through the submission of over 160 false student loan applications to various banks in the names of former students or persons who did not exist.

ADVANCE BUSINESS COLLEGE

Aguada, Puerto Rico

Gerardo Hipolito Tirado Torres, owner; Maria del Carmen Acevedo Cotto, president; and Angel Santos Corrada, vice-president

Business School Officials Plead Guilty to SFA Fraud

Three school officials pled guilty to fraud charges in U.S. District Court, San Juan, Puerto Rico. Gerardo Hipolito Tirado Torres, owner of Advance Business College (ABC), pled guilty to one count each of bankruptcy fraud, mail fraud, SFA fraud, and money laundering. Maria del Carmen Acevedo Cotto, president of ABC, pled guilty to three counts of mail fraud and one count of SFA fraud. Angel Santos Corrada, ABC's vice-president, pled guilty to one count of SFA fraud.

Our investigation developed evidence that ABC operated four branch campuses without a license from the Puerto Rico Department of Education. It was also found that ABC fraudulently requested and misappropriated $3,335,729 in Pell Grant funds for students enrolled at these ineligible branch campuses.

PBI CAREER CENTER

Pittsburgh, Pennsylvania

Victor S. Cianca, owner and president

Career School Owner Sentenced to 25 Months in Prison for Stealing SFA Funds

Victor S. Cianca, former owner/president of PBI Career Center, Pittsburgh, Pennsylvania, was sentenced to 25 months in prison and 3 years supervised probation and ordered to pay a special assessment of $1,250 after a Federal jury in Pittsburgh found him guilty on 25 counts of student aid fraud. Evidence at the trial established that Cianca stole a total of $120,569 in guaranteed student loan and Pell Grant funds for students who did not attend PBI. This case was investigated jointly by the OIG and the Federal Bureau of Investigation (FBI).

ACME INSTITUTE OF TECHNOLOGY

South Bend, Indiana

James Jackson, owner

Technology Institute Owner Pleads Guilty to Willful Misapplication of $255,000 in Student Loan Funds

James Jackson pled guilty in the Northern District of Indiana to a one-count information charging him with student financial aid fraud. The information charged that Jackson, former owner of Acme Institute of Technology, South Bend, Indiana, willfully misapplied $255,000 in guaranteed student loan proceeds by failing to refund unused portions of the loans to lenders when students withdrew from his school.

As part of his plea agreement, Jackson agreed to make full restitution of the funds that he misapplied at the South Bend school, as well as the $85,000 he similarly misapplied at his school in Fort Wayne, Indiana, if so ordered by the court.

BIRMINGHAM COLLEGE OF ALLIED HEALTH, INC.

Birmingham, Alabama

James Ronald Rippetoe, owner and president

Medical School Owner Sentenced to 15 Months in Prison, Ordered to Pay $105,000 in Restitution

James Ronald Rippetoe, owner of the defunct Birmingham College of Allied Health, Inc., Birmingham, Alabama, was sentenced in U.S. District Court for the Northern District of Alabama. Rippetoe was sentenced to serve 15 months of imprisonment and was ordered to pay a fine of $15,000 and to make restitution of $105,000.

Rippetoe had earlier pled guilty to count one of a three-count indictment charging embezzlement of Pell Grant funds. The sentence capped a lengthy investigation involving abuse of ED funds by Birmingham College of Allied Health officials, which also resulted in a guilty plea and a pre-trial sentence of the college's financial aid officer.

Rippetoe had been the owner of the defunct Bowling Green Junior College of Business, Bowling Green, Kentucky. In a previous investigation of that school, Rippetoe pled guilty to making false statements on behalf of the college and subsequently paid a fine and made restitution to ED. The financial aid officer at the Bowling Green school also pled guilty to a false-statement count and was placed on probation. In a later administrative action, the college was suspended from participation in ED programs. The college closed in 1988.

ST. AUGUSTINE COLLEGE

Chicago, Illinois

Carlos Plazas, president

Settlement of Civil Fraud Suit Requires College to Pay $795,000

Attorneys for the Department of Justice, Civil Division, and Carlos Plazas, the president of St. Augustine College, Chicago, Illinois, entered into an agreement for the purpose of settling the previously filed civil fraud suit against St. Augustine College, Spanish Episcopal Services, the Rev. Carlos Plazas and other officers and administrative personnel.

The settlement agreement called for St. Augustine College, *et al.* to pay $795,000 to the U.S. government. The agreement also specified that all costs therein incurred are unallowable costs for government accounting purposes. As a condition to the agreement, the Department of Justice filed a stipulation to dismiss the civil fraud suit.

C. SCHOOL EMPLOYEES

OIG investigations sometimes lead to prosecutive actions against financial aid officers and other school employees who use their positions to fraudulently obtain student aid funds. The following are examples of successful prosecutions this period against school employees who violated or are alleged to have violated their positions of trust by defrauding the SFA programs.

University Assistant Financial Aid Director Pleads Guilty to SFA Fraud and Mail Fraud

Natalie K. Bothwell, former assistant financial aid director, University of Nebraska at Omaha (UNO), Omaha, Nebraska, pled guilty to a two-count felony information charging her with student financial aid fraud and mail fraud. Investigation disclosed that Bothwell used her position as assistant financial aid director at UNO to fraudulently receive and/or disburse a total of $53,835 in Federal, State, and privately funded financial aid.

According to investigators, Bothwell fraudulently certified six student loan applications for herself by falsifying information on the applications. Bothwell also used her sister's name to obtain an SLS loan and "awarded" her sister additional scholarship and grant funds; fraudulently certified a Stafford loan for her brother; fraudulently awarded 12 State of Nebraska scholarships to herself and other ineligible individuals; applied for and received an Excel loan by forging the name of a school official on the enrollment verification form; and submitted a false student loan deferment form to the Iowa Student Loan Liquidity Corporation by asking her husband to forge the name of a UNO school official.

Financial Aid Director For 3 Schools Pleads Guilty to SFA Fraud

Patrice Renee Harris, former director of financial aid at Kansas City Business College, National College, and Sullivan Education Center in Kansas City, Missouri, pleaded guilty to a one-count information charging SFA fraud in the Western District of Missouri. Our investigation disclosed that Harris fraudulently obtained $25,220 in PLUS funds by using the names and Social Security numbers of students enrolled at the schools.

Harris also used the names and Social Security numbers of fictitious or non-existent students to apply for SFA. Further evi-

dence was found that Harris falsely certified and submitted a student loan deferment form for guaranteed student loan funds she received, which caused the Department to pay interest to the lending institution during her extended grace period.

5 Indicted for Mail Fraud and Conspiracy at Tractor-trailer School

A Federal grand jury indicted five individuals for conspiracy and mail fraud arising out of their affiliation with the now defunct Andover Tractor-Trailer School, formerly situated in Methuen, Massachusetts. Emmett Cotter, Patricia Riga, Jerome E. Royal, Selvin Hicks, and Darryl Simmes are alleged to have fraudulently solicited students from the Trenton, New Jersey, and Niagara Falls, New York, areas to enroll in the correspondence course offered by Andover Tractor-Trailer.

The subjects are charged with conspiring to fraudulently induce students to apply for ED-funded financial aid programs totaling $1,689,535. The five individuals allegedly received commissions for each student enrolled and, in order to increase the amount of commission, concealed the fraudulent nature of the enrollments. The indictment alleges that the subjects continued to misrepresent a student's status in the program in order to retain their commissions, and that they accomplished the scheme by use of the mail.

Business School Director Charged with Making False Reports

Kevin Daughtry, a former director of Mansfield Business College in Columbia, South Carolina, was charged in an 11-count indictment with making false reports that reduced Federal student aid refund payments by $36,403. Mansfield is a proprietary business and technical school owned by the CareerCom Corporation. Investigation was initiated based on information developed by CareerCom's Internal Security office and corroborated by an internal audit of student files.

D. LENDERS

Students may obtain loan funds to help finance their education at postsecondary institutions from private lenders such as banks, savings and loans, and credit unions. OIG investigations at times result in prosecutive actions against lender officials who use their positions to defraud the Federal student loan programs. The following item describes one such case this period.

Bank Treasurer/CFO Sentenced for Misapplication of Bank Funds; Agrees to Cooperate in Investigation

In the District of Colorado, Kerry L. Murdock was sentenced to five years probation and ordered to pay $20,000 in restitution and perform 200 hours of community service after pleading guilty to two counts of misapplication of bank funds. A joint OIG/FBI/Internal Revenue Service (IRS)/Resolution Trust Corporation investigation disclosed that Murdock, former treasurer and chief financial officer (CFO) of First American Savings Bank (FASB), Longmont, Colorado, and other bank officials had illegally transferred funds, including Federal student loan funds, to FASB's holding company, National Savings Bancorporation.

Murdock also agreed to cooperate with Federal agents in connection with the investigation of FASB's former president and chief executive officer, John J. Hilliard, who was named in a 25-count indictment for allegedly masterminding the scheme to transfer $1,100,000 to the National Savings Bancorporation, of which Hilliard was president, director, chairman of the board, and majority stockholder. Until its failure in March of 1990, FASB was one of the largest student loan lenders in the Rocky Mountain Area.

E. OTHER INVESTIGATIVE CASES

OIG investigations often involve individuals, and sometimes groups of individuals, who attempt to defraud the SFA programs in order to obtain funds to which they are not entitled.

1. Fraud by Individuals

The following are selected examples of OIG cases that resulted this period in successful prosecutions of individuals who obtained or attempted to obtain student aid funds through fraudulent means.

Student Impostor Sentenced to 9 Months in Prison

James Arthur Hogue was sentenced on New Jersey State charges to nine months in jail and five years probation and ordered to pay $21,124 in restitution and serve 100 hours of community service, for posing as a Princeton University student from September 1989 to February 1991 using the alias Alexi Indris Santana. Hogue also used a false Social Security number and date of birth to fraudulently obtain $40,620 in student financial assistance, $18,220 of which was federally funded.

Hogue's true identity came to light at a track meet at Yale University when a member of Yale's track team recognized Hogue as the man who masqueraded as a high school student in Palo Alto, California, under the name Jay Mitchell Hunts-

man. Further investigation revealed that Hogue had an outstanding criminal warrant for parole violations in Utah, where he served time for criminal possession of stolen property.

Former IRS Employee Sentenced for Mail Fraud and False Statements

James Nash was sentenced in the Eastern District of Pennsylvania to three years probation and six months home confinement, and was ordered to pay a $150 special assessment. Nash was also ordered to make full restitution of all fraudulently obtained Federal and non-Federal aid within the three-year probationary period.

Nash, a former IRS employee, previously pled guilty to two counts of mail fraud and one count of making a false statement in connection with obtaining $24,595 in financial aid to finance his daughter's education at Temple University in Philadelphia. This investigation was worked jointly with the Postal Inspection Service.

Previous Student Loan Defaulter Indicted on Charges of Fraudulently Obtaining Additional Loans

A Federal grand jury in the Southern District of California indicted Steven A. Wilson of four counts of SFA fraud, three counts of false statements, and one count of Social Security number fraud.

A joint ED/OIG–Department of Health and Human Services/OIG–California Student Aid Commission investigation found evidence that Wilson used a false name and Social Security number to obtain $24,580 in SFA after previously defaulting on $13,500 in student loans. Wilson is currently incarcerated on State charges for making false financial statements, fraudulent use of a credit card, grand theft, grand theft auto, burglary, and non-sufficient funds.

Individual Pleads Guilty to Fraud Scheme

Mary T. Shakun pled guilty to two counts of mail fraud in the Southern District of New York as the result of an information charging her with two counts of mail fraud and two counts of SFA fraud. Shakun admitted in a plea agreement that she submitted nine Stafford and PLUS loan applications as part of a scheme to defraud the U.S. Department of Education.

A joint OIG/Postal Inspection Service investigation found evidence that Shakun attempted to obtain $44,075 in SFA by falsifying the school portion of 11 Stafford and PLUS applications to attend the University of St. Andrews, St. Andrews, Fife, Scotland. In furtherance of her scheme, Shakun used several aliases and invalid Social Security numbers; represented herself as a U.S. citizen; and forged the signatures of school officials

to reflect enrollment and attendance. Shakun's scheme netted her $20,575.

2. Fraud Rings

During this Semiannual reporting period, the OIG has conducted several investigations into the activities of various fraud rings across the nation. The following investigations have resulted in the prosecution of groups of individuals who participated in schemes to defraud the Department's student aid programs.

11 Charged with Conspiring to Defraud the SLS Program

A Federal grand jury in the Southern District of Texas indicted 11 individuals on SFA fraud and general principals charges for conspiring to defraud the SLS program of $280,000. An additional 30 individuals have entered into a pre-trial diversion agreement or have made other arrangements to repay the loans illegally obtained.

An OIG investigation identified Velia Avila, Claudia Fabre and Virginia Valdez, former student financial aid employees at the Bryman campus, National Education Center, Houston, Texas, along with others named in the indictment, as having recruited individuals to submit 70 fraudulent applications for SLS loans to the now failed University Savings bank.

40 Charged with Conspiracy to Submit Fraudulent Stafford Loan Applications

A joint OIG/FBI investigation, based on information received from Johnson C. Smith University, Charlotte, North Carolina, resulted in 40 individuals being charged in the Western District of North Carolina with conspiracy to submit fraudulent applications in order to obtain Stafford loans. The alleged fraud involved 163 applications and the payment of over $515,718 to ineligible recipients.

An OIG investigation found evidence that two employees in the university's financial aid office conspired with 38 relatives, friends and acquaintances to defraud the Stafford Loan program. In furtherance of this conspiracy, the employees allegedly prepared, certified and submitted loan applications containing information that was materially false.

11 Are Sentenced in PLUS Loan Fraud

Eleven individuals were sentenced in the Northern District of Louisiana, Shreveport, Louisiana, after pleading guilty to bills of information charging mail fraud, SFA fraud, and use of a false Social Security number. Deon D. Nelson, leader of the fraud ring, was sentenced to 3 years and 10 months in prison and was ordered to make restitution of $328,000. Five of the

remaining 10 individuals were sentenced to prison terms ranging from 4 to 10 months and to make restitution of amounts ranging from $8,000 to $68,000. The other five individuals were each sentenced to serve three years probation and were ordered to pay restitution of from $1,040 to $8,000.

Our investigation disclosed a scheme in which 200 applications were submitted to banks participating in the Department's student loan programs. The applications contained false information such as false Social Security numbers of "students" and "borrowers," false driver's licenses, false dates of birth and false references, and on all the applications, the signatures of the school officials were forged.

Of the 200 applications submitted, 118 were rejected by either schools, lenders or guaranty agencies, based on information provided by OIG investigators. This cooperative effort prevented the disbursement of some $457,840.

10 Sentenced in Detroit PLUS Loan Fraud Scheme

Our investigation of a PLUS loan fraud scheme in Detroit, Michigan, resulted in the sentencing of 10 individuals in the Eastern District of Michigan.

Glen Dixon and Sean Welch, who devised the scheme, each pled guilty to one count of conspiracy after being charged with SFA fraud, mail fraud, and conspiracy to commit fraud in connection with the scheme, which resulted in the submission of 75 PLUS applications totaling $142,000. Dixon was sentenced to serve four years probation and eight months home detention, and was ordered to pay restitution in the amount of $8,760 and pay a $50 special assessment. Welch was sentenced to serve three years probation and 180 days home detention, and was ordered to pay $4,000 in restitution and a $50 special assessment.

Sandra Miller, who was recruited by Dixon and Welch, was sentenced to two years in prison and three years supervised release, and was ordered to pay $83,968 in restitution and a $50 special assessment. Miller's role was to help Dixon and Welch solicit others to accept PLUS checks; Dixon and Miller would later receive $1,000 from each check generated.

The following individuals were also sentenced for their participation in the Detroit PLUS loan fraud ring:

- Marcel Miller, a former Detroit police officer, was sentenced to 15 months in prison and 3 years of supervised re-

lease, and was ordered to pay $48,000 in restitution, to be paid jointly and severally with co-defendants, and a $50 special assessment.

- Elbert Embry, a former Detroit police officer, was sentenced to 14 months in prison and 2 years supervised release, and was ordered to pay $44,000 in restitution, to be paid jointly and severally with co-defendants, and a special assessment of $50.

- Marion Snedacar was sentenced to four years probation and was ordered to pay $7,760 in restitution and a $50 special assessment. Snedacar was also ordered to serve 120 days of home confinement.

- Shawn Green was sentenced to three years probation and was ordered to pay restitution of $4,000 and a $50 special assessment. Green was also ordered to serve 180 days of home confinement.

- Betty Dixon was sentenced to four months in prison and three years of supervised release, and was ordered to pay $8,000 in restitution and a $50 special assessment. Dixon was also ordered to serve 150 days of home detention.

- Linda Strother was sentenced to four months in prison and four months of supervised release, and was ordered to pay $4,000 in restitution and $50 special assessment and to serve 150 days of home confinement.

- Warren Miller was entered into a pre-trial diversion program for 18 months and was ordered to pay $3,880 in restitution and perform 120 hours of community service.

20 Indicted in "Fool's Gold Project"

A joint OIG effort with the FBI and U.S. Attorney's office in the District of Montana has resulted in the indictment of 20 individuals on charges of SFA fraud.

The "Fool's Gold Project," as the effort came to be known, used a computer tape dump, which cross-referenced the names of persons who had defaulted on student loans with the names of current recipients of Federal student aid funds at Montana's colleges, universities, and vocational technical schools. The original computer list generated more than 800 names of individuals who may be suspected of applying for and receiving SFA funds for which they were ineligible because of prior defaults.

Chapter III

SIGNIFICANT MANAGEMENT PROBLEMS AND HIGH RISK AREAS

A. INTRODUCTION

In our last Semiannual Report (*Semiannual Report to Congress No. 25*, page 32) we highlighted progress made in 7 of what our previous Semiannual Report had identified as the 10 most significant problem areas in the Department. This period, we have noted further improvements in each of these areas, as well as progress in the remaining 3 of the 10 original problem areas identified in Semiannual Report No. 24. A discussion of major results in those areas follows.

B. ISSUES

THE ACCREDITING AGENCY RECOGNITION PROCESS DOES NOT SERVE AS AN EFFECTIVE CONTROL IN DETERMINING THE RELIABILITY OF AGENCIES THAT ACCREDIT NUMEROUS PROBLEM SCHOOLS

(Semiannual Report No. 24, pages 2-9)

PREVIOUS FINDINGS AND RECOMMENDATIONS

We found that ED's process for determining which accrediting agencies would be recognized by the Secretary relied primarily on the representations of the accrediting agencies themselves—i.e., the information provided to the National Advisory Committee on Accreditation and Institutional Eligibility (NAC). The NAC advises the Secretary which agencies should be listed as a nationally recognized accrediting agency.

We made a number of recommendations for enlarging the sources of information that could be drawn upon by NAC in forming their conclusions and recommendations.

PROGRESS THIS PERIOD

New regulations are being prepared to comply with the requirements of the Higher Education Amendments of 1992 to include more specific standards for measuring the quality of education offered by the schools that agencies accredit. Moreover, there has been a restructuring of the accrediting agency review process, focusing on the monitoring of problem schools and how accrediting agencies deal with these schools.

THE INSTITUTIONAL ELIGIBILITY PROCESS DOES NOT PROVIDE ADEQUATE ASSURANCE THAT ONLY ELIGIBLE SCHOOLS PARTICIPATE IN THE TITLE IV PROGRAMS

(Semiannual Report No. 25, page 32)

PREVIOUS FINDINGS AND RECOMMENDATIONS

We found that ED's process for determining postsecondary institutions' eligibility for participation in the Title IV programs did not assure that only eligible schools participated in the programs. Our review disclosed that there was no standard level of quality that institutions had to meet in order to be eligible for participation. We also identified weaknesses in the Department's screening process that had enabled several schools that lacked the proper license or accreditation to be determined eligible to participate in the programs.

We made a number of recommendations, including proposals for legislative initiatives, to address the deficiencies identified in our report. Upon subsequent review, we found that ED had not included amendments to address many of our recommendations in its Higher Education Act reauthorization proposal. At the urging of the Inspector General, the Higher Education Amendments of 1992 (HEA Amendments) included many of the provisions we had recommended.

PROGRESS THIS PERIOD

As a Total Quality Initiative, the Department has established "Policy Groups" composed of representatives from the various principal offices to expedite the development and publication of regulations to implement the changes in the HEA. As required by the HEA Amendments, the regulations proposed by the Department are subject to negotiated rulemaking with representatives from the public.

The revised draft institutional eligibility regulations were presented to the public in the negotiated rulemaking process in the first weeks of January and February 1993. The Department is in the process of incorporating the public's comments and preparing a Notice of Proposed Rulemaking for publication. The amended regulations should strengthen and improve the Department's institutional eligibility process.

OIG ACTIVITIES

OIG representatives have been actively involved in the Departmental policy groups drafting the HEA regulations this period. The OIG has also established a task group to revise the institutional audit guide to include steps to evaluate the new institutional eligibility requirements.

THE ADMINISTRATIVE AND FINANCIAL CERTIFICATION PROCESSES ARE NOT ADEQUATE TO PROTECT STUDENTS AND THE GOVERNMENT

(Semiannual Report No. 25, page 33)

PREVIOUS FINDINGS AND RECOMMENDATIONS

Our audits found specific problems in each stage of the certification process, and concluded that both the administrative and financial components of the process were inadequate to prevent weak institutions from participating in the SFA programs. As a result, the Federal investment in the programs—and, by extension, the students they serve—were found to be at risk. We recommended that several steps be taken to correct the problems identified.

In our last Semiannual Report, we noted that the Department's progress on some of these recommendations was not completely satisfactory, and that program officials had indicated their disagreement with others.

PROGRESS THIS PERIOD

The Departmental Policy Group that was established to revise the administrative capabilities and financial responsibilities regulations to implement the changes in the HEA Amendments completed the drafts. The proposed regulations would provide the Department with additional authority to protect the Federal investment through sureties and other qualitative measures and ultimately prevent inadequate and weak schools from participating in the SFA programs.

OIG ACTIVITIES

OIG was actively involved in the drafting of the proposed administrative capabilities and financial responsibility regulations, which will be subject to negotiated rulemaking in the coming months.

IMPROVEMENT IS NEEDED IN MANAGING, MONITORING, AND ACCOUNTING FOR THE FFELP [GSL] PROGRAMS PORTFOLIO

(Semiannual Report No. 25, page 34)

PREVIOUS FINDINGS AND RECOMMENDATIONS

In a series of management improvement reports issued in February 1990, we made recommendations for improving the Department's management and oversight of the FFELP programs.

Our reports identified weaknesses in such areas as interest and special allowance billings, audits of third-party loan servicers for compliance with regulations, guaranty agency and lender reviews. We also recommended that ED establish a system of oversight of all secondary markets participating in the FFELP programs.

In March, June and August of 1992, we issued three additional MIRs addressing weaknesses in the Department's control over the FFELP portfolio. (See *Semiannual Report No. 24*, page 12 and *Semiannual Report No. 25*, page 3.) We recommended incorporation of stricter standards in those regulations that permit lenders to "cure" loans of past due diligence violations; stricter standards for the granting of forbearances; and establishment of controls over loan servicers.

In our last Semiannual Report, we reported that the HEA Amendments enacted in July 1992 require annual compliance audits of third-party servicers, lenders, and secondary markets, as well as annual compliance and financial audits of schools and guaranty agencies.

PROGRESS THIS PERIOD

As a Total Quality Initiative, the Department has established "Policy Groups" composed of representatives from the various principal offices to expedite the development and publication of regulations to implement the changes in the HEA Amendments. Various draft regulatory packages have been completed that are, or have been, subject to negotiated rulemaking with representatives from the public. This process is ongoing.

OIG ACTIVITIES

This period we issued a management improvement report (*MIR 93-02; March 15, 1993*) that identified conflicts of interest between guaranty agencies and affiliated organizations that they are required to monitor. (See Chapter I, "Audit and Inspection Activities and Accomplishments"). We recommended that the Department amend its regulations, or, if necessary, seek legislative change to prohibit conflicts of interest between guaranty agencies or their officers and employees, and affiliated entities participating in the Federal Family Education Loan Program.

OIG representatives have been actively involved in the Departmental task forces drafting the HEA regulations this period. The OIG has also established task forces to draft audit guides for guidance to non-Federal auditors for the conduct of audits of guaranty agencies, lenders and third-party servicers.

DEVELOPMENT AND IMPLEMENTATION OF THE NATIONAL STUDENT LOAN DATA SYSTEM NEEDS TO BE EXPEDITED

(Semiannual Report No. 25, page 35)

PREVIOUS FINDINGS AND RECOMMENDATIONS

The need for the system known as the National Student Loan Data System (NSLDS) was identified in several OIG and General Accounting Office (GAO) reports, and the Department has recognized its worth as an enforcement and monitoring tool.

In our last Semiannual Report, we reported that the Department issued a Request for Proposal for a contract to design, develop, and operate the NSLDS in which we concurred. Also, in response to a MIR issued in March 1992 (see *Semiannual Report No. 24*, page 14), the Department took swift action and implemented a significant screening-process change that should prevent hundreds of millions of dollars in SFA from being authorized for defaulters.

PROGRESS THIS PERIOD

This period, the Department awarded a $38 million contract for the design, development and implementation of the NSLDS to E-Systems of Greenville, Texas. The Department now acknowledges that its goal of December 1993 for implementation of the NSLDS is not feasible. A new implementation date will be established when the detailed system design is completed.

ATTENTION IS NEEDED TO IMPROVE THE DEPARTMENT'S FINANCIAL MANAGEMENT SYSTEMS

(Semiannual Report No. 25, page 35)

PREVIOUS FINDINGS AND RECOMMENDATIONS

In its Federal Managers' Financial Integrity Act (FMFIA) report for FY 1992, the Department acknowledged that ED's general ledger could not be used to produce accurate and auditable financial statements. We made many recommendations for improvement of the financial management system. In our last Semiannual Report, we indicated that ED officials had responded favorably to our recommendations and was in the process of implementing corrective actions.

PROGRESS THIS PERIOD

The Department is continuing its project to redesign the core financial systems. The Department estimates this project will be completed in FY 1995. Data cleanup projects for both the

FFELP and the Facilities Loan Program (FLP) have been completed with reconciliations of FY 1992 transactions. The Department has prepared financial statements for the two programs as required by the Chief Financial Officers Act of 1990. Management has also initiated other projects to improve financial management. These projects include a review of cash management and accounts receivable and the development of a comprehensive training plan to provide employees with the knowledge and skills necessary to fulfill their financial management responsibilities.

OIG ACTIVITIES

This period, OIG staff participated in the Department's cash management/accounts receivable project by reviewing the Office of Postsecondary Education's accounts receivable procedures. Our results, including recommendations, were provided to management personnel responsible for coordinating the activities with other project teams. This project will provide recommendations for improving cash management and accounts receivable procedures for inclusion in a comprehensive Departmental directive.

The OIG continues to participate with the GAO in the audit of the Federal Family Education Loan Program. On March 16, 1993, the GAO issued its Internal Control Report which cited the need for more effective oversight of guaranty agencies and lenders and the need for more reliable and timely data for use in estimating the future costs of outstanding guaranteed loans. The GAO expects to issue an opinion on the FFELP FY 1992 financial statements by June 30, 1993.

The OIG has contracted with an independent public accounting firm to audit the FY 1992 financial statements of the FLP. We expect the statements to be issued to OMB during the next Semiannual reporting period.

THE DEPARTMENT NEEDS TO DEVELOP A STRATEGY TO ADDRESS SERIOUS DEFICIENCIES IN THE MONITORING OF BILLIONS OF DOLLARS OF FINANCIAL ASSISTANCE IN FORMULA AND DISCRETIONARY GRANTS

(Semiannual Report No. 25, page 36)

PREVIOUS FINDINGS AND RECOMMENDATIONS

Our previous reviews disclosed that an overall strategy and procedures for monitoring formula and discretionary grants are lacking. We also found that various problems existed in the processes used by the different program offices. Compliance and performance monitoring had been identified as a material weakness, and plans for improvements were being (and continue to be) tracked under the FMFIA reporting process.

To address monitoring as an at-risk management area, the Department's Management Audit Committee chartered the Monitoring and Performance Measures Team (see *Semiannual Report No. 24*, page 18). The team has been addressing the problems of both compliance and performance monitoring, including work on performance measures for ED programs and the development of a Departmental directive for monitoring discretionary grants.

Last period, the team selected the Eisenhower Mathematics and Science Education Program as its pilot program (see *Semiannual Report No. 25*, page 38). Also during the last Semiannual reporting period, we issued a management improvement report (see *Semiannual Report No. 25*, pages 13-14) recommending, in part, strengthening on-site monitoring for this program.

PROGRESS THIS PERIOD

Departmental staff from the Grants and Contracts Service are circulating a revised draft directive on monitoring discretionary grants. The development of procedures for monitoring formula grant programs will follow.

OIG ACTIVITIES

The Monitoring and Performance Measures Team met in April 1993 to develop a strategic plan for improving monitoring and developing performance indicators. OIG staff will continue to work closely with the team to ensure these efforts will serve to speed resolution of the monitoring issue, and that final ED monitoring standards and procedures will strengthen grant integrity and effectiveness.

This period, the OIG issued an audit report (*ACN 11-20202; March 17, 1993*) on the Impact Aid Program. (See Chapter I, "Audit and Inspection Activities and Accomplishments.") The report indicates that program management could save $3.8 million in adjustments each year if site reviews were concentrated on the larger program recipients. The report also indicated that, partially because of untimely site report processing, the Department loses $582,000 a year.

We recommended that IAP managers assess overpayments during the period these overpayments are outstanding, and that they conduct more site reviews on the larger program recipients.

VALID INFORMATION REGARDING PROGRAM PERFORMANCE IS NEEDED TO ASSURE THAT ED PROGRAMS ARE MEETING THEIR INTENDED GOALS AND OBJECTIVES

(Semiannual Report No. 25, page 37)

PREVIOUS FINDINGS AND RECOMMENDATIONS

During the last Semiannual reporting period, we issued a management improvement report that, in part, discussed the need for performance measures in the Eisenhower Mathematics and Science Education program. (See *Semiannual Report No. 25*, pages 13-14.) We recommended corrective actions aimed at strengthening the Department's ability to improve the program's effectiveness in meeting its legislative objectives.

PROGRESS THIS PERIOD

The Department has entered into a contractual arrangement with the National Academy of Public Administration to assist with the development of performance indicators. The contractor is working on five programs on a pilot basis. In addition, the contractor will also develop a "Guidebook on Developing and Using Performance Indicators" for distribution to all ED staff to use in identifying and using indicators in other programs. Draft indicators for one program are now under review by Department personnel.

OIG ACTIVITIES

OIG staff planned to participate in an April 1993 planning meeting to address the development of performance indicators.

This period, the OIG issued a management improvement report (*MIR 93-03; March 12, 1993*) indicating that for many students enrolled in vocational training programs, the current system

affords little assurance that the training provided will help them obtain gainful employment. (See Chapter I, "Audit and Inspection Activities and Accomplishments.") We recommended that the Department convene an interagency task force to study different funding approaches for vocational training programs, and that the study consider labor market needs and the success rate of schools in placing graduates.

THE DEPARTMENT'S AUDIT RESOLUTION PROCESS IS INADEQUATE TO ASSURE THAT MISSPENT FUNDS ARE IDENTIFIED AND RECOVERED AND THAT CORRECTIVE ACTIONS HAVE BEEN COMPLETED BY AUDITEES

(Semiannual Report No. 24, page 19)

PREVIOUS FINDINGS AND RECOMMENDATIONS

We have issued two audit reports—one in September 1989 and one in February 1992—that evaluated compliance with OMB Circular A-50, "Audit Follow-up." In both of these reports, we concluded that controls over the audit resolution process were inadequate to assure that misspent funds were identified and recovered and that auditees completed the promised corrective actions. In both audits, we reported that the Department did not verify that millions of dollars had been collected. In the 1992 report, we found that control weaknesses had allowed schools to continue to receive funds even though they failed to submit required audit reports to account for the use of the funds.

PROGRESS THIS PERIOD

On the September 1989 report, the Department continues to work with a contractor to develop an "Internal Audit Module" that will enable the production of the biweekly reports, forms and "tickler system" recommended in our report. The target date for completion has been extended until December 1993.

With regard to the February 1992 audit report, the Department has reported corrective actions including notifying institutions when audits are overdue, and developing procedures to address the institution's response, including fines and termination actions.

OIG ACTIVITIES

We issued an audit report (*ACN 11-20015; December 1, 1992*) on OPE's Lender and State Agency Review Branch this period. (See Chapter I, "Audit and Inspection Activities and Accom-

plishments"). Our review disclosed that there is lack of adequate controls to assure that auditees corrected the deficiencies identified during audits and paid audit-related accounts receivable. As a result, LSARB did not know that guaranty agencies had failed to pay ED almost $1 million in disallowed costs that the agencies were to return through on-site adjustments or offsets against future claims. We also found that LSARB lacked adequate controls to assure that each guaranty agency perform required biennial program reviews at a total of 46 lenders and institutions during the 1989-1990 review period.

FAILURE TO SYSTEMATICALLY CLOSE OUT GRANTS [AND CONTRACTS] HAS LEFT HUNDREDS OF MILLIONS OF DOLLARS IN UNEXPENDED GRANT FUND BALANCES VULNERABLE TO INAPPROPRIATE DRAWS

(Semiannual Report No. 24, page 21)

PREVIOUS FINDINGS AND RECOMMENDATIONS

The Department awards about $1.5 billion in discretionary grants, over $10 billion in formula grants, and $230 million in contracts each year. Our audit on the financial and administrative considerations in closing out expired grants found specific, long-standing significant problems. We recommended that the Department review and deobligate $296 million in unexpended grant fund balances.

PROGRESS THIS PERIOD

The Department is still in the process of closing out expired grants. Additionally, the Department has begun the process of reviewing expired contracts with significant fund balances in the Primary Accounting System. As of September 1992, this fund balance was $7.5 million.

OIG ACTIVITIES

This period, we issued an audit report (*ACN 11-00333; March 17, 1993*) recommending that the Department revise the ED Acquisition Bulletin or the Departmental directive on contracts to designate the specific time frames that the Grants and Contracts Service and other Departmental personnel involved in closing contracts must meet, and to require the Department to review the unexpended fund balance. (See Chapter I, "Audit and Inspection Activities and Accomplishments.") GCS has agreed to prepare a time schedule to complete the closure of the remaining 563 expired contracts.

Chapter IV

LEGISLATIVE AND REGULATORY ACTIVITIES

A. INTRODUCTION

The Inspector General Act of 1978 requires Inspectors General to review existing and proposed legislation and regulations in order to determine their impact on the economy and efficiency of Departmental programs and operations, as well as on the prevention and detection of fraud and abuse in these programs and operations. The Act requires further that the Inspector General make recommendations to the Department and the Congress regarding improvements needed in Departmental regulations and laws.

B. HIGHER EDUCATION REGULATIONS

During the past six-month period, OIG staff have worked with several Department-wide policy groups in the development of regulations to implement the Higher Education Amendments of 1992. The specific responsibility of our Office has been to monitor the development of provisions that address recommendations of the Inspector General and to otherwise protect the integrity and promote the effectiveness of Federal education programs.

In developing these regulations, the Department is statutorily required to negotiate, with interested parties in the higher education and financial communities, many important student aid and institutional eligibility provisions of the new law. While our office is not specifically represented at the negotiation table, OIG staff have attended the negotiation sessions and advised the Department's representatives on a variety of issues.

OIG Efforts Aimed at Ensuring Appropriate Formulation of OIG-Recommended Provisions

The OIG has been particularly interested in this process because many of the provisions being negotiated address subjects of lengthy audit activity and resulting legislative recommendations. A major portion of our work to strengthen the integrity of the Federal student aid programs will have been for naught if these regulations are not appropriately formulated. These important provisions include:

- Protections against losses due to the financial weakness and irresponsibility of schools (such as requiring weak schools to provide financial guarantees to cover institutional liabilities);
- Establishing a new State oversight function for the review of "high risk" schools participating in Title IV programs;

- o Strengthening the role of accrediting agencies in determining institutional eligibility;
- o Preventing program abuse by correspondence schools;
- o Strengthening the Title IV criminal penalty requirements; and
- o Prohibiting schools from using commissioned recruitment and enrollment personnel.

Proposed Regulations Reflect Increased Focus on Performance Outcomes in Federal Programs

By the end of this reporting period, the Department had published six of the HEA reauthorization regulations. While none of these was from the group of negotiated regulations, one of the six was of particular interest in that it was illustrative of an increasing focus on performance outcomes throughout federally funded programs.

Proposed regulations for Title III, Part B, which authorizes formula grant programs for strengthening Historically Black Colleges and Universities, were published in February. When published in final form, these regulations will require participating colleges to assess their strengths and weaknesses, set goals and measurable objectives for themselves, and report on their performance in terms of those goals and objectives.

We hope that these provisions, and similar ones that we are working to incorporate in other reauthorization regulations, will assist the Department in its efforts to determine and promote the effectiveness of Federal education programs. One of the highest priorities of our office in the coming months and years will be to ensure that measurable indicators of success are established for all of the programs administered by the Department, and that grantees and other program participants are held accountable for meeting these standards.

C. REAUTHORIZATION OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965

Our Office continues to review Departmental actions in developing proposals for reauthorization of the Elementary and Secondary Education Act of 1965 (ESEA), which expires on September 30, 1993. During this process, we have offered recommendations in several areas, including Indian and Migrant education.

The OIG believes that reauthorization provides the opportunity for changing the fragmented approach that has been taken with small categorical grants, and thus to reduce duplication of effort and the amounts spent on administration. We believe, moreover, that Departmental reauthorization proposals should address the lack of measurable performance standards in current law.

Without these standards, program outcomes cannot be measured and program efficiency and effectiveness cannot be assessed.

Proposals Consider Rewards, Waivers for Superior Performance by States and Locals

Among the ESEA reauthorization proposals being considered by ED is one that would provide rewards to State and local agencies for superior performance. Whereas current statutes appear to provide added assistance only for grantees whose performance needs improvement, we believe that the concept of rewarding superior performance warrants consideration.

Throughout its deliberations on ESEA reauthorization, ED has focused on the idea of providing waivers of Federal regulatory requirements for grantees with proven high performance. While we agree with this concept, we are concerned that, absent specific quantifiable performance goals, it will be difficult to determine when or if a grantee has achieved superior performance levels.

D. CONGRESSIONAL TESTIMONY

This period, at the request of the House Subcommittee on Labor, Health and Human Services, Education, and Related Agencies, Committee on Appropriations, we presented testimony on the topic, "Material Weaknesses in Education Department Programs and Operations."

Specific Deficiencies in ED Programs and Operations Outlined

Our testimony included discussions of what we view as weaknesses that: 1) prevent the effective execution of ED's mission; 2) are caused by the design of ED programs; and 3) are related to Departmental systems for overseeing ED programs. Such specific deficiencies as fragmentation of ED program authority, inadequate or non-existent financial management and monitoring systems, and weaknesses in ED audit resolution and follow-up systems were explained in detail to Subcommittee members.

Chapter V
NON-FEDERAL AUDIT ACTIVITIES

A. INTRODUCTION

In addition to the work conducted by the OIG, audits of ED programs are performed by State and local governmental auditors and by independent public accountants (IPA). OMB Circular A-128, "Audits of State and Local Governments," and Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Institutions," set forth the requirements governing audits of those entities. Postsecondary institutions that receive SFA funds, and are not subject to the audit requirements of either of these circulars must have an audit conducted in accordance with the Department's audit guide, "Audits of Student Financial Assistance Programs" (*SFA Audit Guide*).

As a result of the Higher Education Amendments of 1992, significant changes have been made in the audit requirements for those entities required to have an audit conducted in accordance with the Department's *SFA Audit Guide*. The legislation passed by the Congress requires annual audits of all institutions receiving student financial assistance, establishes annual audit requirements for guaranty agencies, and establishes new annual audit requirements for lenders, secondary markets and servicers. The result of these legislative changes will be a vastly increased workload for the OIG in the non-Federal area.

The OIG is responsible for assuring that work performed by non-Federal auditors complies with the standards established by the Comptroller General. To accomplish this, we conduct desk reviews of non-Federal audit reports and, on a sample basis, conduct quality control reviews (QCRs) of the supporting audit work. Reports can be selected for QCR either randomly or on a judgmental basis if deficiencies are suspected. We also participate in QCRs led by other cognizant agencies on certain Statewide single audit reports. In addition, the OIG works with recipient organizations and auditors to assure that audit requirements are met and with Department officials to assure the timely resolution of audit findings.

B. STATISTICS

During this period, we issued 1,016 single audit reports prepared by non-Federal auditors in accordance with OMB Circular A-128. For 25 of these single audit reports, the Department is the cognizant agency; that is, the agency responsible for overseeing the implementation of the requirements of the Single Audit Act. For 854 of the reports, the Department has the lesser responsibility of general oversight. General oversight responsibility usually consists of working through direct recipients to assure that subrecipients meet their audit requirements, and providing technical assistance when requested. The remaining 137 reports are from entities for which other Federal agencies have cognizance or general oversight responsibility.

In addition, we issued 1,459 SFA audits prepared in accordance with the *SFA Audit Guide* and 561 prepared in accordance with Circulars A-133 or A-110. Finally, we issued 28 other non-Federal audit reports.

C. QUALITY OF NON-FEDERAL AUDITS

The results of our quality control reviews of audits are summarized by audit and preparer type in the chart on the following page.

This period, 42 percent of non-single audits prepared by independent public accountants and subjected to QCRs required major changes or were significantly inadequate. Of the audits judgmentally selected, 43 percent required major changes or were significantly inadequate this period. Thirty-six percent of the randomly selected audits required major changes or were significantly inadequate.

These statistics represent an improvement over the statistics reported in our last Semiannual Report (see *Semiannual Report No. 25*, page 45) and, we hope, reflect our continued efforts to improve the quality of non-Federal audits. Despite this improvement, the area of audit quality remains a major concern.

D. NON-FEDERAL INITIATIVES

During the reporting period, we have been engaged in a number of initiatives which we expect will have a positive impact in the Non-Federal area. These include projects undertaken on behalf of the Standards Subcommittee of the President's Council on Integrity and Efficiency (PCIE), as well as ED/OIG initiatives.

1. PCIE Projects

The following projects were initiated under the auspices of the Standards Subcommittee. ED/OIG staff had the lead on the projects described below.

Draft Report Issued: "Improving the Single Audit Process"

A draft of a report, "Improving the Single Audit Process," was issued by the Standards Subcommittee this period. The report contains 70 recommendations, which resulted from the PCIE study of the implementation of the Single Audit Act begun during prior reporting periods. ED/OIG staff have been reviewing comments on the draft report submitted by over 100 individuals and organizations. Commentors on the draft report have consistently praised the comprehensiveness of the study. The final report is expected to be issued before the end of FY 1993.

"Program Audit Guide Survey" Under Revision

The PCIE publication, "Program Audit Guide Survey," is being revised to include audit guidance developed since its publication in October 1991. The final product is expected to be issued in June 1993.

SUMMARY OF RESULTS OF ED/OIG QUALITY CONTROL REVIEWS OF AUDITS BY NON-FEDERAL AUDITORS

TYPE OF REVIEW	SINGLE AUDITS WHERE ED/OIG IS COGNIZANT						OTHER AUDITS ISSUED BY ED/OIG						GRAND TOTAL	
QCRs	IPA		Other Gov't Auditor		Total		IPA		Other Gov't Auditor		Total			
Issued – no change	1	33%	0	0%	1	33%	35	46%	0	0%	35	46%	36	45%
Issued – minor change	1	33%	0	0%	1	33%	9	12%	0	0%	9	12%	10	13%
Issued – major change	1	33%	0	0%	1	33%	11	14%	0	0%	11	14%	12	15%
Significant inadequacies	0	0%	0	0%	0	0%	21	28%	0	0%	21	28%	21	27%
TOTAL QCRs	3	100%	0	0%	3	100%	76	100%	0	0%	76	100%	79	100%

NOTE: Throughout this report, total figures that have been rounded may differ slightly from the sum of component figures that have been rounded.

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2. ED/OIG Initiatives

ED/OIG initiatives during this period included establishing audit guidance teams charged with developing the audit guides required by the HEA Amendments. That legislation, as described earlier in this chapter, established new annual audit requirements for lenders, secondary markets and servicers. The legislation also established annual audit requirements for guaranty agencies. Two teams will be developing audit guidance for audits of lenders; servicers of lenders; guaranty agencies; and servicers of guaranty agencies.

In addition to the new audit requirements listed above, the HEA Amendments established new requirements for those entities required to have an audit conducted in accordance with the Department's *SFA Audit Guide*. Those entities are now required to have an annual financial and compliance audit. A third team will revise the *SFA Audit Guide* and develop audit guidance for servicers of institutions subject to that audit requirement. Draft guidance is expected to be issued in June 1993.

E. NON-FEDERAL AUDIT REFERRALS

The OIG refers certified public accountants for disciplinary action to State boards of accountancy and, when appropriate, to professional societies, for violating generally accepted government auditing standards.

1. Referrals This Period

5 IPAs Referred to State Licensing Boards for Disciplinary Action

Since April 1, 1985, we have made 88 referrals of independent public accountants, including 5 this period. In four of the current referrals, the certified public accountant (CPA) did not have working papers to support the tests of compliance requirements. In two of the current referrals, the CPA did not have adequate workpapers to support the study and evaluation of internal controls. One of the current referrals was made based on a CPA's lack of independence.

In all five cases, we referred the individuals to their respective State licensing boards and to the American Institute of Certified Public Accountants' (AICPA) Professional Ethics Division for disciplinary action.

2. Action Taken This Period on Previous OIG Referrals

During this period, we were advised of actions taken by State boards and the AICPA on some of the referrals we have made. Examples of these actions are presented in the following paragraphs.

Actions on Referrals to State Boards

- A CPA's license to practice and certificate were revoked by action of a State board. This action was taken because the CPA repeatedly violated the terms of disciplinary action taken against him by the State board, including a prohibition on performing all but three governmental audits. The CPA performed additional governmental audits. As a result of that action, his permit to practice public accounting was suspended for three years. The CPA then violated the suspension by advertising his services as a CPA.

- A CPA and his firm were fined and the CPA was required to complete additional hours of continuing professional education (CPE) courses.

- In a third instance, two CPAs were fined and required to complete additional hours of CPE.

Actions on Referrals to the AICPA

- One CPA was suspended from membership in the AICPA for one year for failing to comply with generally accepted auditing standards and by failing to follow standards and/or procedures required in governmental audits.

- Another CPA was required by joint action of the AICPA and the State society to take 48 additional hours of CPE within one year and submit to a review of a subsequent work product.

- In a third instance, a CPA was required by joint action of the AICPA and the State Society to take 80 additional hours of CPE over a two-year period and submit to reviews of subsequent work products.

Chapter VI
STATISTICAL SUMMARY

A. AUDIT ACTIVITIES

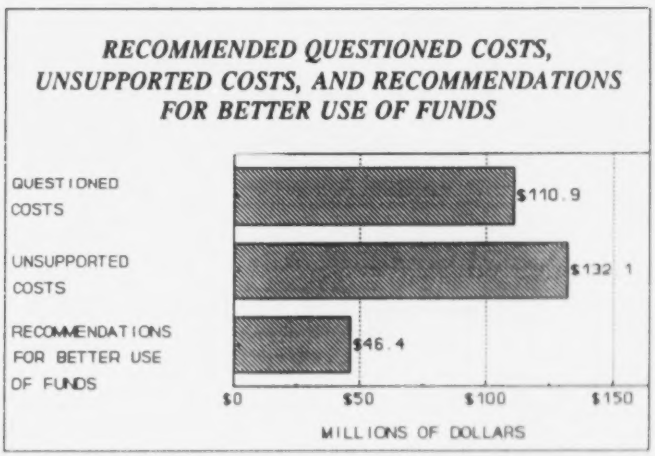
Audit activities during this period continued to provide the Department with a program of internal and external audit services designed to maximize opportunities for improving the economy, efficiency, and effectiveness of programs administered by the Department and by the recipients of Department funds. Our audit reports included numerous significant procedural recommendations addressed to Department officials, grantees and other participants in delivery of Department programs and directed toward improving procedures with respect to the administration of programs funded by the Department. The reports also included recommendations directed toward recovering Federal funds that were not expended in accordance with program requirements. Resolution of audit recommendations is the responsibility of Department officials.

1. Reports Issued During the Period

Audit reports issued this period contained significant monetary recommendations, as shown below.

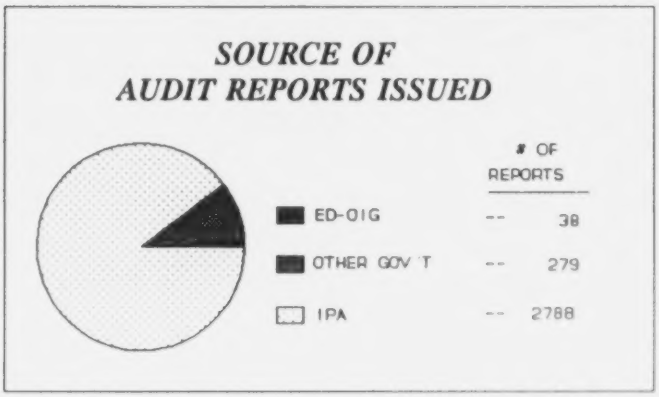
Monetary Findings Total $289.4 M

During this six-month period, monetary findings totaled $289.4 million. This amount was comprised of questioned costs, unsupported costs, and recommendations for better use of funds as shown in the chart below. These statistics include the results of audits described in previous chapters of this report.

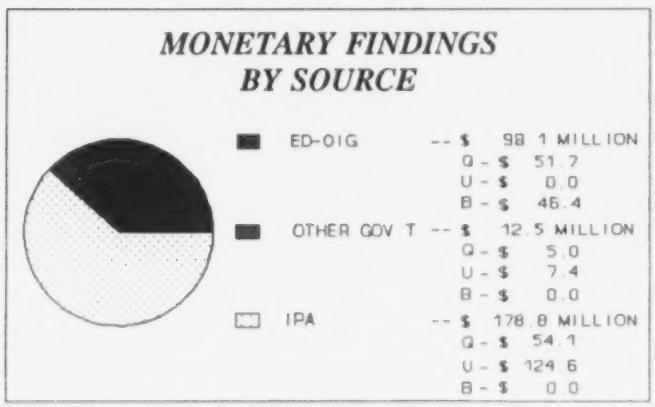


3,105 Audit Reports Issued This Period

The 3,105 audit reports issued during this period were completed by our own staff, or by other Federal auditors, State and other non-Federal governmental auditors and independent public accountants. The source of the audit reports issued this period is illustrated by the chart below.



Eight hundred eighty-two (882) of these reports contained findings that required action by the Department's resolution officials. Reports prepared by OIG auditors contained $98.1 million in questioned costs (Q), unsupported costs (U), and recommendations that funds be put to better use (B). These amounts exclude preaward audits that have not been resolved.


MONETARY FINDINGS
BY SOURCE
ED-OIG -- $ 98.1 MILLION
Q - $ 51.7
U - $ 0.0
B - $ 46.4
OTHER GOV'T -- $ 12.5 MILLION
Q - $ 5.0
U - $ 7.4
B - $ 0.0
IPA -- $ 178.8 MILLION
Q - $ 54.1
U - $ 124.6
B - $ 0.0

2. Audit Resolution and Recovery of Funds

Department program officials are responsible for the resolution of findings disclosed in our audit reports. This section details audit resolution activities during this reporting period. Data for reports with monetary findings is shown in tabular form in Appendix 2.

Audit Reports Unresolved as of October 1, 1992

At the beginning of the reporting period, October 1, 1992, the Department had 1,058 unresolved audit reports. An unresolved audit report is an audit report for which no management decision has been made on the findings and recommendations. These reports contained questioned costs and other recommended recoveries of $947.2 million, unsupported costs of $111.3 million, and recommendations for better use of funds totaling $530.4 million.

Audit Reports Resolved This Period

A total of 955 audit reports were resolved during the six-month period from October 1, 1992 through March 31, 1993. Statistics on sustainment of recommendations contained in these reports are presented in the following table.

SUSTAINMENT RATE ON AUDIT REPORTS RESOLVED THIS PERIOD
(Dollars in Millions)

Audit Reports Prepared By	Questioned Costs			Unsupported Costs			Better Use of Funds		
	Recom.	Sust.	Rate	Recom.	Sust.	Rate	Rec.	Sust.	Rate
ED/OIG Auditors	$ 87.7	$ 50.9 [1/]	58%	$ 8.3	$3.5 [1/]	42%	$247.7	$210.2	85%
Other Gov. Auditors	3.1	1.0	31%	0.8	-0-	6%	-0-	-0-	—
IPAs	351.7	176.9	50%	61.7	7.2	12%	-0-	-0-	—
TOTAL	$442.5	$228.8	52%	$70.8	$10.7	15%	$247.7	$210.2	85%

[1/] *Excludes questioned costs of $35.3 million and unsupported costs of $4.8 million, respectively, from one report in which the OIG and program management disagreed on the dollar value. The OIG believes that these amounts should have been sustained by program management.*

3. Recoveries This Period

During this period, $9.4 million (including interest and penalties) was recovered as a result of audits resolved during this or previous periods.

4. Audit Reports Unresolved as of March 31, 1993

At the end of this reporting period, there were 995 reports that remained unresolved within the Department. These reports contain questioned costs and other recommended recoveries of

$585.2 million, unsupported costs of $173.3 million, and recommendations for better use of funds totaling $319.6 million.

Included in the above totals are 130 audit reports over 6 months old, with questioned or unsupported costs of $515.3 million and $295.5 million recommended for better use. These reports are listed in Appendix 4, as noted below. Partial management decisions have been made on 11 of these audits, which are currently on appeal. Final management decisions are pending the outcome of the appeals.

5. Status of Prior Audit Recommendations

Appendix 4 contains a listing of audit reports issued before the commencement of the reporting period for which no management decision had been made by the end of the reporting period.

6. Management Improvement Reports

We issued three MIRs this period. Two of these reports are described in Chapter I; narrative summaries of all three MIRs issued this period are presented in Appendix 7.

During the period, management officials resolved six MIRs, sustaining $28.25 million in recommendations for the better use of funds. The OIG and program management disagreed on the dollar value for the better use of funds on one of the resolved MIRs: Management sustained $2.25 million, whereas the OIG believes that the amount sustained should be $4.5 million.

As of the end of the period, 11 MIRs were unresolved. MIRs which are over six months old are listed in Appendix 4.

B. INSPECTION ACTIVITIES

This period, we issued six inspection reports on postsecondary proprietary schools. Our reviews found that all six schools were significantly deficient in their administration of the Title IV SFA programs. Three of these reports are highlighted in Chapter I; narrative summaries of all six reports are found in Appendix 8.

C. INVESTIGATIVE ACTIVITIES

Investigative activities during this reporting period showed significant results, as summarized in the following chart.

SUMMARY OF RESULTS

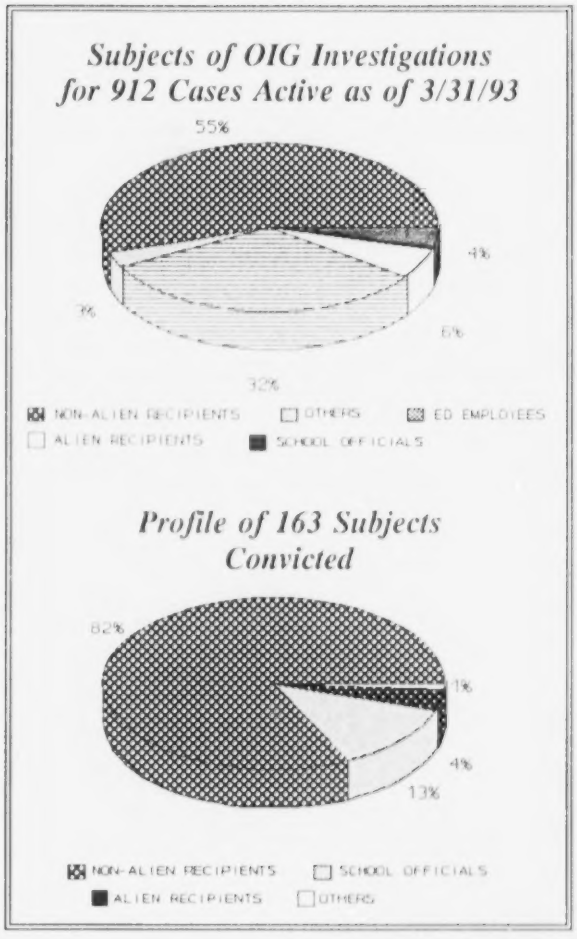
-Cases Active at 3/31/93	912
-Cases Opened	251
-Cases Closed	136
-Cases Referred for Prosecution	129
-Cases Accepted	97
-Cases Declined	32
-Indictments/Informations*	133
-Convictions/Pleas/Pre-trial Diversions+	163
-Fines Ordered	$ 25,033
-Restitutions Ordered**	$ 3,589,822
-Restitution Payments Collected	$ 691,148
-Recoveries	$ 72,621
-Civil Settlements	$ 803,500
-Civil Penalties	$ 5,500

* *Includes two (2) actions that were unreported in our last Semiannual Report.*

\+ *Includes four (4) actions that were unreported in our last Semiannual Report.*

** *Includes $14,422 in restitutions ordered that were unreported in our last Semiannual Report.*

The charts on the following page profile, by type of investigative subject: 1) the subjects of OIG active investigative cases as of the end of the reporting period; and 2) convictions during the reporting period resulting from OIG investigative efforts.



Selected examples of these investigations are found in Chapter II of this report. Narrative summaries of significant ED/OIG investigative cases resulting in prosecutive actions this period are presented in Appendix 9.

E. DEBARMENT AND SUSPENSION ACTIVITIES

The Department of Education participates in the Federal government-wide system for nonprocurement debarment and suspension. This system provides a mechanism under which a Federal agency can debar or suspend an individual or organization from conducting nonprocurement transactions with all Federal agencies or from acting as an agent or representative performing these transactions.

1. Statistical Summary

The following statistical summary provides an overview of OIG requests during the period for Departmental action to debar or suspend organizations or individuals from participating in Federal programs.

Department Debars 24, Suspends 5, Proposes 5 Additional Debarment Actions

This period, the OIG asked the Department to take action to debar or suspend 12 individuals under the Federal nonprocurement debarment and suspension regulations. The Department debarred 24 individuals this period, proposed debarment action involving 5 other individuals, and suspended another 5 individuals.

2. Departmental Actions Taken During the Period

This period, the Department debarred the following individuals:

- the financial aid director of Draughon Business College, Shreveport, Louisiana
- the president of Metropolitan Technical Institute and Business College, Long Beach, California
- the owner of Caguas College of Technology and Science, Caguas, Puerto Rico
- the owner and the academic coordinator at Coastal Training Institute, Mobile, Alabama
- the president and a shareholder of Concho Career Institute, San Angelo, Texas
- two vice presidents of USA Training Academy, Newark, Delaware
- the owner of Salt Lake City College, Salt Lake, Utah
- the president of West Texas Barber Styling College, Houston, Texas
- a vice president of Morningside Bank and Trust, Sioux City, Iowa
- the owner of National School of Health Technology, Philadelphia, Pennsylvania
- the financial aid director of International Business College, El Paso, Texas
- a financial aid technician at Davis Applied Technology Center, Kaysville, Utah
- four officers or employees of Edmondson Junior College, Nashville, Tennessee
- the financial aid director at Career Point Business School, Kansas City, Missouri
- the financial aid director at Maine Maritime Academy, Castine, Maine
- the owner, an officer, and an employee of Certified Welding School, Englewood, Colorado

The Department proposed debarment of the following individuals this period:

- the president of Technical Training Institute, Houston, Texas
- the president of Birmingham College of Allied Health, Birmingham, Alabama
- the director of Phillips College, Louisville, Kentucky
- the president of Phillips Junior College, Columbus, Georgia
- an employee of Trend College, Portland, Oregon

In addition, the Department suspended the following individuals:

- four officers of Com-Tech Computer Training Institute, Southfield, Michigan
- the owner of Carlinshar Institute, Bolinbrook, Illinois

Chapter VII

BACKGROUND AND ORGANIZATION

A. INTRODUCTION

The OIG was established May 4, 1980, pursuant to provisions of the Department of Education Organization Act (P.L. 96-88). Section 508(n) of the Act amended the Inspector General Act of 1978 (P.L. 95-452) to provide for an Office of Inspector General in the Department of Education. Public Law 100-504, the Inspector General Act Amendments of 1988, amended P.L. 95-452 in several important ways, among them by establishing reporting requirements to ensure uniformity and reliability of OIG audit and Semiannual reports.

B. MISSION OF THE DEPARTMENT

The purposes of the Department, as provided in P.L. 96-88, include in part:

- To strengthen the Federal commitment to assuring access to equal educational opportunity for every individual;
- To supplement and complement the efforts of States, the local school systems and other instrumentalities of the States, the private sector, and other concerned organizations and individuals (as specified in the legislation) to improve the quality of education;
- To improve the management and efficiency of Federal education activities; and
- To increase the accountability of Federal education programs to the President, the Congress, and the public.

C. OIG MISSION

The Inspector General heads an independent organization responsible for audit, investigation, fraud prevention and detection, and designated security functions relating to programs and operations of the Department.

The purposes of the OIG, as provided in P.L. 95-452, are:

- To conduct and supervise audits and investigations relating to programs and operations of the Department of Education;
- To provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency, and effectiveness in the administration of, and to prevent and detect fraud and abuse in, such programs and operations; and

— To provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

In carrying out the duties and responsibilities established under the Inspector General Act, the OIG has authority to inquire into all program and administrative activities of the Department, as well as related activities of all parties performing under contracts, grants, or other agreements with the Department. These inquiries may be through audits, investigations, or other appropriate measures.

D. OIG ORGANIZATION

The OIG consists of three major components—Audit Services, Investigation Services, and Policy, Planning and Management Services—and the Immediate Office of the Inspector General. The Immediate Office is the organizational locus of the Counsel to the Inspector General and the OIG Inspection Team. Headquarters and regional offices conduct audits, investigations and inspections nationwide.

1. Audit Services

Audit Services conducts and coordinates audits of ED programs and activities and recipients of ED funds to determine whether programs are carried out efficiently and economically and to assure compliance with regulations. IPA audits of ED-financed activities are reviewed by the OIG for compliance with standards established by the Comptroller General. Audit Services makes recommendations or transmits IPA recommendations to program officials for corrective action concerning problems, abuses and deficiencies, and reports on the progress made in implementing such corrective action.

Audit resolution is the responsibility of ED Assistant Secretaries, administrators, and other management officials accountable for the programs or activities audited. Management resolves costs questioned and/or recommended for disallowance or better use, and monitors actions to ensure implementation of recommendations that were sustained.

2. Investigation Services

Investigation Services performs and coordinates investigations of ED employees and recipients of ED funds who are suspected of criminal wrongdoing. It coordinates with the Department of Justice when the results of these investigations indicate the potential for criminal and/or civil prosecution. Investigation Services also operates the OIG Hotline for receiving complaints on fraud, waste and abuse.

3. Policy, Planning and Management Services

Policy, Planning and Management Services (PPMS) provides overall direction, control and coordination of administrative and management services within OIG. PPMS also reviews existing and proposed laws and regulations to determine their actual or potential effect on the Depart-

ment's ability to operate efficiently, and to reduce the likelihood of fraud and abuse. Management areas for improvement are identified through analysis of audits, investigations, and other studies and reports on ED programs and operations. PPMS also carries out the OIG's Freedom of Information Act and Privacy Act responsibilities, and coordinates such activities with OIG Counsel and responsible ED officials as appropriate.

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Washington, DC 20202-1510

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Section 5(a)(1) -- Significant Problems, Abuses and Deficiencies . . . . . Pages 1–18, 72–93

Section 5(a)(2) -- Recommendations with Respect to Significant Problems, Abuses and Deficiencies . . . . . Pages 1–18, 72–93

Section 5(a)(3) -- Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed . . . . . Pages 70–71

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Section 5(a)(6) -- Listing of Audit Reports . . . . . Pages 64-65

Section 5(a)(7) -- Summary of Significant Audits . . . . . Pages 1–18, 72–85

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Section 5(a)(10) -- Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period . . . . . Pages 66–67

Section 5(a)(11) -- Significant Revised Management Decisions . . . . . **

Section 5(a)(12) -- Significant Management
Decisions with Which OIG Disagreed . . . . . ***

* *There were no instances where information or assistance was unreasonably refused or not provided.*
** *There were no significant revised management decisions.*
*** *There were no significant management decisions with which OIG disagreed.*

Table I

INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS [1]

(Dollars in Thousands)

	Number	Questioned Costs	Unsupported Costs [2]
A. For which no management decision has been made by the commencement of the reporting period (as adjusted)	756	$1,028,894	$ 112,086
B. Which were issued during the reporting period	636	242,951	132,066
Subtotals (A + B)	1,392	$ 1,271,845	$ 244,152
C. For which a management decision was made during the reporting period	636	$ 513,353	$ 70,815
(i) Dollar value of disallowed costs		$ 239,488[3]	$ 10,683[3]
(ii) Dollar value of costs not disallowed		$ 273,865	$ 60,132
D. For which no management decision has been made by the end of the reporting period	756	$ 758,492	$ 173,337
E. For which no management decision was made within six months of issuance	121	$ 515,308	$ 41,363

[1] *None of the audits reported in this table was performed by the Defense Contract Audit Agency.*

[2] *Included in Questioned Costs.*

[3] *Excludes questioned costs of $40.1 million ($4.8 million of which are unsupported costs) from one report in which the OIG and program management disagreed on the dollar values. The OIG believes that these costs should have been sustained.*

Table II

INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS FOR BETTER USE OF FUNDS [4]

(Dollars in Thousands)

		Number of Reports	Dollar Value
A.	For which no management decision has been made by the commencement of the reporting period (as adjusted)	31	$ 520,885
B.	Which were issued during the reporting period	11	46,406
	Subtotals (A + B)	42	$ 567,291
C.	For which a management decision was made during the reporting period	16	$ 247,725
	(i) Dollar value of recommendations that were agreed to by management		$ 210,183
	(ii) Dollar value of recommendations that were not agreed to by management		$ 37,542
D.	For which no management decision has been made by the end of the reporting period	26	$ 319,566
E.	For which no management decision was made within six months of issuance	16	$ 295,519

[4] *None of the audits reported in this table was performed by the Defense Contract Audit Agency.*

ED/OIG REPORTS OF EDUCATION DEPARTMENT PROGRAMS AND ACTIVITIES

(October 1, 1992 — March 31, 1993)

Section 5(a)(6) of the Inspector General Act requires a listing of each report completed by OIG during the reporting period. A total of 41 reports were completed by ED/OIG auditors. These reports are listed below.

ACN	AUDITEE/REPORT TITLE	STATE	ISSUED	QUESTIONED COSTS (excluding unsupported)	UNSUPPORTED COSTS	BETTER USE OF FUNDS
OFFICE OF POSTSECONDARY EDUCATION						
02-10017	SAN JUAN CITY COLLEGE	PR	FEB-93	$ 9,478,774		
02-20003	SCS BUSINESS & TECHNICAL INSTITUTE, INC.	NY	FEB-93	110,375		
02-20004	MBTI BUSINESS TRAINING INSTITUTE OF PUERTO RICO	PR	FEB-93	90,112		$ 90,000
02-20075	NYC TECHNICAL COLLEGE	NY	MAR-93	1,283,900		
03-10002	SOUTHEASTERN UNIVERSITY	DC	DEC-92	799,250		1,145,000
04-10012	BRANELL INSTITUTE	GA	OCT-92	285,693		
05-20006	DIESEL TRUCK DRIVER TRAINING SCHOOL INC.	WI	MAR-93	2,481,924		1,900,000
06-20002	MICROCOMPUTER TECHNOLOGY INSTITUTE	TX	OCT-92	5,571,838		2,200,000
06-20005	PREMIER BANK	LA	FEB-93	147,000		
07-10076	CAREER POINT BUSINESS SCHOOL	MO	FEB-93	19,400,000		4,250,000
93-02***	ED SHOULD PROHIBIT CONFLICTS OF INTEREST BETWEEN GUARANTY AGENCIES & AFFILIATED ORGANIZATIONS	DC	MAR-93	**		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES						
06-20204	LOUISIANA REHABILITATION SERVICES	LA	JAN-93	6,220,760		2,100,000
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION						
11-20202	CHANGES TO IMPACT AID PROGRAMS' SITE REVIEW PROCESS SHOULD IMPROVE EFFICIENCY & ASSURE BETTER USE OF PROGRAM FUNDS	DC	MAR-93			4,382,000
OFFICE OF HUMAN RESOURCES AND ADMINISTRATION						
01-20351	CONNECTICUT DEPARTMENT OF EDUCATION	CT	JAN-93	963,199		
01-20426	EDUCATION DEVELOPMENT CENTER, INC.	MA	NOV-92	*		
01-20427	ABT ASSOCIATES, INC.	MA	NOV-92	*		
02-20403	EDUCATION PRODUCTS INFORMATION EXCHANGE INSTITUTE, INC.	NY	OCT-92	*		
02-30300	PUERTO RICO DEPARTMENT OF EDUCATION	PR	MAR-93	**		
03-20405	RMC RESEARCH CORPORATION	VA	OCT-92	*		
03-20407	PRC, INC.	VA	NOV-92	*		
03-20408	THE NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS	DC	MAR-93	*		
03-20410	GEORGE WASHINGTON UNIVERSITY	DC	DEC-92	*		
03-20411	CHESAPEAKE INSTITUTE	DC	MAR-93	*		

ACN	AUDITEE/REPORT TITLE	STATE	ISSUED	QUESTIONED COSTS (excluding unsupported)	UNSUPPORTED COSTS	BETTER USE OF FUNDS
03-20412	AMERICAN ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE	DC	NOV-92	*		
03-20453	REMEDIATION & EDUCATIONAL SUPPORT SYSTEMS	PA	NOV-92	*		
04-20400	RESEARCH AND EVALUATION ASSOCIATES, INC.	NC	OCT-92	*		
04-20401	RESEARCH TRIANGLE INSTITUTE	NC	OCT-92	*		
05-20404	UNIVERSITY WISCONSIN-MADISON	WI	OCT-92	*		
06-30400	E-SYSTEMS, INC.	TX	NOV-92	*		
07-20204	MISSOURI DEPARTMENT OF ELEMENTARY AND SECONDARY	MO	OCT-92	**		442,000
07-20403	AMERICAN COLLEGE TESTING	IA	NOV-92	*		
07-30400	NATIONAL COMPUTER SYSTEM	IA	DEC-92	*		
08-20205	UTAH STATE BOARD OF EDUCATION	UT	MAR-93			38,000
11-00333	GREATER EMPHASIS NEEDED TO DEOBLIGATE UNEXPENDED CONTRACT FUNDS & CLOSE OUT CONTRACTS ON TIME	DC	MAR-93			7,500,000
11-38376	EVALUATION OF THE DEPARTMENT OF EDUCATION'S ADVISORY & ASSISTANCE SERVICE CONTRACTS	DC	MAR-93	**		
11-38377	COMPLIANCE WITH THE LOBBYING REQUIREMENTS OF PUBLIC LAW 101-121, SECTION 319	DC	FEB-93	**		
	OFFICE OF MANAGEMENT & BUDGET/CHIEF FINANCIAL OFFICER					
03-10601	WEST VIRGINIA STATE DEPARTMENT OF EDUCATION	WV	OCT-92	4,826,638		
93-01***	TRAVEL GUIDANCE NEEDS CLARIFICATION	DC	DEC-92	**		
	OFFICE OF POSTSECONDARY EDUCATION (other than SFA)					
11-20015	OPE'S LENDER & GUARANTEE AGENCY OVERSIGHT FUNCTION SHOULD FOCUS MORE ON AUDIT FOLLOW-UP	DC	DEC-92	**		
	OFFICE OF MANAGEMENT & BUDGET/CHIEF FINANCIAL OFFICER (other than FMC)					
10-20601	OREGON STATE DEPARTMENT OF EDUCATION	OR	DEC-92	66,000		
	OFFICE OF THE DEPUTY SECRETARY					
93-03***	TITLE IV FUNDING FOR VOCATIONAL TRAINING SHOULD CONSIDER LABOR MARKET NEEDS & PERFORMANCE STANDARDS	DC	MAR-93	**		

In addition to the above reports, during the period ED/OIG issued 3,067 audit reports prepared by other auditors.

* The above schedule excludes the monetary adjustments recommended in preaward audit reports issued during this six-month reporting period. Since the results of preaward audits are used in the contract negotiation process, the contents of these audit reports are considered to be confidential.

** Non-monetary findings only

*** Management improvement report

UNRESOLVED REPORTS ISSUED PRIOR TO OCTOBER 1, 1992

Section 5(a)(10) of the Inspector General Act requires a listing of each report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.

REPORT NUMBER	AUDITEE/TITLE	ST	DATE ISSUED	TOTAL MONETARY FINDINGS	REASONS OVERDUE	PROJECTED MANAGEMENT DECISION	SEMIANNUAL REPORT NO.	PAGE NO.
02-93048	PUERTO RICO DEPARTMENT OF EDUCATION	PR	05/07/89	8,131,414	01	04/30/93	19	38
07-80508	MISSOURI VALLEY COLLEGE	MO	12/29/89	5,766,632	01	***	20	7
02-03024	PUERTO RICO HIGHER EDUCATION ASSISTANCE CORP.	PR	05/21/90	4,578,212	01	05/31/93	21	21
07-00027	SAINT MARY OF THE PLAINS COLLEGE	KS	09/06/90	94,500,000	01	07/31/93	21	6
01-01582	CHAMPLAIN COLLEGE, INC.	VT	10/01/90	25,746	01	***	**	
06-07003	NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION	NM	10/01/90	761,000	01	06/30/93	22	25
02-00003	EMPIRE TECHNICAL SCHOOLS, INC.	NY	11/26/90	1,911,000	01	***	22	11,15
11-00012	ADMINISTRATIVE CERTIFICATION PROCESS DOES NOT ADEQUATELY ASSURE THAT ALL SCHOOLS ARE CAPABLE OF ADMINISTERING TITLE IV FUNDS	DC	03/04/91	*	01	04/30/93	22	8
04-00007	THE GEORGIA SCHOOL OF BARTENDING	GA	03/05/91	3,925,948	01	***	22	11,13
04-00014	ATLANTA COLLEGE OF MEDICAL AND DENTAL CAREERS	GA	03/14/91	3,524,032	01	***	22	10,20
02-00010	PAN AMERICAN SCHOOL, INC.	NY	03/15/91	3,710,662	01	***	22	12
11-90040	THE INSTITUTIONAL ELIGIBILITY PROCESS DOES NOT PROVIDE ADEQUATE ASSURANCE THAT ONLY ELIGIBLE SCHOOL PARTICIPATE IN THE TITLE IV FUND	DC	03/15/91	482,000	01	06/30/93	22	7
07-00075	PHILLIPS COLLEGES, INC.	MS	04/22/91	3,381,314	01	***	23	60
01-00001	COUNTY SCHOOLS, INC.	CT	04/24/91	18,162,712	01	***	23	5
02-00006	ELECTRONIC COLLEGE AND COMPUTER PROGRAMMING	PR	05/31/91	4,078,197	01	***	23	57
06-90508	CBM EDUCATION CENTER	TX	06/20/91	6,218,243	01	***	23	5
04-00018	PHILLIP'S COLLEGE	GA	06/25/91	5,680,148	01	***	23	58
03-14078	SOJOURNER-DOUGLAS COLLEGE	MD	07/05/91	114,206	01	07/31/93	**	
03-14079	SOJOURNER-DOUGLAS COLLEGE	MD	07/05/91	243,300	01	07/31/93	**	
07-03415	STATE OF MISSOURI	MO	07/05/91	4,483,133	01,04	03/31/94	**	
06-17010	NEW MEXICO EDUCATION ASSISTANCE FOUNDATION	NM	07/11/91	325,000	01	05/31/93	**	
09-11273	CALIFORNIA PARAMEDICAL AND TECHNICAL SCHOOL	CA	08/06/91	341,337	01	07/31/93	**	
01-03261	CONNECTICUT STATE BOARD OF EDUCATION	CT	08/16/91	914,941	01,04	03/31/94	23	25
05-05098	STATE OF OHIO	OH	08/22/91	3,636,676	01	05/31/93	**	
02-00011	ALBERT MERRILL SCHOOL	NY	08/26/91	379,100	01	***	**	
01-10001	NORTHEAST TRACTOR TRAILER SCHOOLS	NH	09/12/91	222,698	01	***	**	
02-00005	MODERN HAIRSTYLING INSTITUTE, INC.	PR	09/13/91	3,331,419	01	07/31/93	23	57
05-00017	DOQUOIN BEAUTY COLLEGE	IL	10/04/91	868,434	01	07/31/93	24	57
03-13233	VIRGINIA DEPARTMENT FOR THE VISUALLY DISABLED	VA	10/11/91	748,486	01	09/30/93	24	57
02-23008	GOVERNMENT OF THE VIRGIN ISLANDS	VI	11/05/91	3,115,589	01	06/30/93	24	54
06-13817	STATE OF TEXAS	TX	11/14/91	1,958,998	01	06/30/93	24	60
01-13080	COMMONWEALTH OF MASSACHUSETTS	MA	11/22/91	1,022,588	01	07/31/93	24	52
02-10203	NEW YORK CITY BOARD OF EDUCATION SCHOOL DISTRICT 2	NY	12/20/91	310,755	04	03/31/94	**	
05-23063	ILLINOIS DEPARTMENT OF REHABILITATION SERVICES	IL	12/30/91	5,026,360	01	06/30/93	24	59
06-11310	OUR LADY OF THE LAKE HOSPITAL, INC.	LA	01/27/92	404,554	01	07/31/93	**	
05-10008	SOUTHWESTERN COLLEGE OF BUSINESS	OH	02/03/92	200,857	01	***	**	

REPORT NUMBER	AUDITEE/TITLE	ST	DATE ISSUED	TOTAL MONETARY FINDINGS	REASONS OVERDUE	PROJECTED MANAGEMENT DECISION	SEMIANNUAL REPORT NO.	PAGE NO.
08-23021	BLACKFEET INDIAN TRIBAL CORPORATION	MT	02/03/92	20,091	04	03/31/94	**	
11-00010	THE OFFICE OF STUDENT FINANCIAL ASSISTANCE DID NOT ASSURE THAT ALL INSTITUTIONS SUBMITTED AUDIT REPORTS OR THAT IT RECOVERED ALL MISSPENT FUNDS	DC	02/06/92	33,800,000	01	09/30/93	24	20
06-10006	TECHNICAL TRAINING INSTITUTE	TX	02/07/92	2,062,949	01	07/31/93	24	60
05-10007	ILLINOIS MEDICAL TRAINING CENTER	IL	02/14/92	15,609,582	01	07/31/93	24	7
03-23023	DEPARTMENT FOR THE RIGHTS OF THE DISABLED	VA	02/19/92	109,417	02	09/30/93		
03-17012	ORI, INC.	MD	02/20/92	2,169,358	04	03/31/94	24	55
04-00006	NATIONAL TRAINING, INC.	FL	02/21/92	50,000,000	01	***	24	7
05-10014	TRI-STATE SEMI-DRIVER TRAINING, INC.	OH	03/04/92	16,929,042	01	07/31/93	24	58
09-10004	LONG BEACH COLLEGE OF BUSINESS	CA	03/05/92	3,951,000	01	***	24	62
05-20001	AUTOMOTIVE TECHNICAL INSTITUTE	IL	03/10/92	506,744	01	07/31/93	24	59
09-23003	COMPTON COMMUNITY COLLEGE	CA	03/11/92	80,206	01	03/31/94	**	
01-13244	CITY OF WATERBURY	CT	03/12/92	59,960	02,04	03/31/94	**	
04-16085	VALENCI COMMUNITY COLLEGE	FL	04/01/92	12,696	01	04/30/93	**	
09-13019	REPUBLIC OF THE MARSHALL ISLANDS	TT	04/02/92	398,530	01	05/31/93	**	
09-27011	SRI INTERNATIONAL	CA	04/02/92	3,800	04	03/31/94	**	
04-23001	NORTH CAROLINA STATEWIDE	NC	04/03/92	930,368	01,04	03/31/94	25	81
06-13831	OKLAHOMA STATEWIDE	OK	04/13/92	791,678	01	06/30/93	25	82
03-26528	COUNCIL OF INDEPENDENT COLLEGES	DC	04/16/92	49,800	04	03/31/94	**	
05-24075	ILLINOIS MEDICAL TRAINING CENTER	IL	04/16/92	*	01	07/31/93	**	
05-13253	ONEIDA TRIBE OF INDIANS OF WISCONSIN	WI	04/17/92	6,117	04	03/31/94	**	
03-21069	SOJOURNER-DOUGLASS COLLEGE	MD	04/22/92	39,354	01	07/31/93	**	
03-21068	SOJOURNER-DOUGLASS COLLEGE	MD	04/24/92	183,920	01	07/31/93	**	
09-21071	NATIONAL BUSINESS ACADEMY	CA	05/07/92	11,830	01	06/30/93	**	
03-23043	GARRETT COMMUNITY COLLEGE	MD	05/11/92	43,779	01	04/30/93	**	
04-23095	GORDON COLLEGE	GA	05/18/92	49,871	04	03/31/94	**	
04-23096	GORDON COLLEGE	GA	05/18/92	4,259	04	03/31/94	**	
05-23071	ONEIDA TRIBE OF INDIANS OF WISCONSIN	WI	05/18/92	7,397	04	03/31/94	**	
05-26105	INDIANA VOCATIONAL TECHNICAL COLLEGE	IN	05/18/92	4,423	01	04/30/93	**	
10-23534	UNIVERSITY OF WASHINGTON	WA	05/18/92	252	04	03/31/94	**	
10-23537	UNIVERSITY OF OREGON	OR	05/18/92	18,714	04	03/31/94	**	
10-23540	NORTHWEST REGIONAL EDUCATIONAL LAB	OR	05/18/92	1,409	04	03/31/94	**	
05-21353	NORTHERN BAPTIST THEOLOGICAL SEMINARY	IL	05/19/92	385,100	01	06/30/93	**	
06-21107	ANDERSON COUNTY BEAUTY	TX	05/20/92	775	01	04/30/93	**	
02-10016	ANA G. MENDEZ FOUNDATION	PR	05/27/92	27,888,669	01	***	25	73
05-26094	LIMA AND ALLEN COUNTY COMMUNITY ACTION COMMISSION	OH	05/28/92	6,822	04	03/31/94	**	
09-13491	AMERICAN SAMOA GOVERNMENT	AS	06/02/92	1,393	04	03/31/94	**	
09-23946	GILROY UNIFIED SCHOOL DISTRICT	CA	06/02/92	60,576	04	03/31/94	**	
07-13468	STATE OF IOWA	IA	06/17/92	118,808	01	06/30/93	**	
04-23110	MAYLAND COMMUNITY COLLEGE	NC	06/23/92	1,552	04	03/31/94	**	
04-26556	ALABAMA COUNCIL FOR SCHOOL ADMINISTRATION AND SUPERVISION	AL	06/23/92	*	04	03/31/94	**	
06-26519	NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION	NM	06/23/92	*	01	05/31/93	**	
02-10202	NEW YORK CITY BOARD OF EDUCATION DISTRICT 9	NY	06/24/92	1,197,176	04	03/31/94	25	79
01-26003	UNIVERSITY OF CONNECTICUT HEALTH CENTER	CT	06/25/92	19,768	04	03/31/94	**	
07-10200	REVIEW OF THE DEPARTMENT OF EDUCATION'S REHABILITATION SERVICES ADMINISTRATION'S MONITORING OF THE MAINTENANCE OF EFFORT PROVISIONS OF TITLE I OF THE REHABILITATION ACT	CO	06/25/92	1,538,374	01	05/31/93	25	83

REPORT NUMBER	AUDITEE/TITLE	ST	DATE ISSUED	TOTAL MONETARY FINDINGS	REASONS OVERDUE	PROJECTED MANAGEMENT DECISION	SEMIANNUAL REPORT NO.	PAGE NO.
03-10201	COMMONWEALTH OF PENNSYLVANIA	PA	06/30/92	4,933,818	01	09/30/93	25	81
03-27005	ORBIS ASSOCIATES	VA	07/01/92	104	04	03/31/94	**	
01-23119	STATE OF VERMONT	VT	07/03/92	5,984	01	04/30/93	**	
03-23094	VIRGINIA STATE LIBRARY AND ARCHIVES	VA	07/03/92	183,420	01	04/30/93	**	
03-27006	ADVANCED TECHNOLOGY, INC.	VA	07/06/92	548,218	04	03/31/94	**	
03-27007	ADVANCED TECHNOLOGY, INC.	VA	07/06/92	1,024,682	04	03/31/94	**	
03-27008	ADVANCED TECHNOLOGY, INC.	VA	07/06/92	452,894	04	03/31/94	**	
07-23629	RESEARCH & TRAINING ASSOCIATES, INC.	KS	07/08/92	128,166	04	03/31/94	**	
07-23630	RESEARCH & TRAINING ASSOCIATES, INC.	KS	07/08/92	88,886	04	03/31/94	**	
02-13243	STATE OF NEW YORK	NY	07/10/92	1,528	01	05/31/93	**	
07-21495	AMERICAN INSTITUTE	KS	07/13/92	25,500	01	06/30/93	**	
08-21385	AMERICAN TECHNICAL CENTER	UT	07/13/92	6,308	01	06/30/93	**	
09-23947	IRVINE UNIFIED SCHOOL DISTRICT	CA	07/13/92	7,154	04	03/31/94	**	
03-21483	LITTLE FRENCH BEAUTY ACADEMY	WV	07/14/92	28,081	01	06/30/93	**	
06-21155	JAUNTE FAIRE ACADEMY OF HAIR DESIGN	TX	07/14/92	73,254	01	06/30/93	**	
09-21129	OXANARD BEAUTY COLLEGE	CA	07/14/92	27,302	01	06/30/93	**	
04-10006	PHILLIPS COLLEGES, INC.	MS	07/15/92	404,948,020	01	06/30/93	25	7
01-23054	CONNECTICUT BOARD OF EDUCATION & SERVICES FOR BLIND	CT	07/20/92	1,078,381	02	06/30/93	25	79
10-26185	UNIVERSITY OF PUGET SOUND	WA	07/27/92	2,263	01	05/31/93	**	
07-21482	EXCELLA BEAUTY COLLEGE INDUSTRIES	MO	07/30/92	7,765	01	06/30/93	**	
08-21491	HEADLINE ACADEMY, INC.	SD	07/30/92	*	01	06/30/93	**	
06-10009	CHENIER	TX	07/31/92	7,517,477	01	07/31/93	25	11
05-26172	OBERLIN COLLEGE	OH	08/04/92	*	04	03/31/94	**	
09-21110	AMERICAN FILM INSTITUTE, INC.	CA	08/17/92	103,000	01	06/30/93	**	
09-21288	COLLEGE OF OCEANEERING	CA	08/17/92	2,500	01	06/30/93	**	
02-20201	NEW YORK CITY BOARD OF EDUCATION DISTRICT 17	NY	08/18/92	507,736	04	03/31/94	25	80
02-28100	TREMONT IMRPOVEMENT	NY	08/18/92	643,816	04	03/31/94	25	80
03-26575	HOWARD COMMUNITY COLLEGE	MD	08/18/92	366,269	01	06/30/93	**	
09-21132	CHILDRENS HOSPITAL OF LOS ANGELES	CA	08/18/92	1,130,011	01	07/31/93	25	78
09-21147	SAWYER COLLEGE	CA	08/18/92	7,119	01	06/30/93	**	
06-10010	SOUTHERN TECHNICAL COLLEGE	LA	08/20/92	2,733,923	01	07/31/93	25	77
06-27022	AMERICAN INDIAN RESEARCH AND DEVELOPMENT, INC.	OK	08/20/92	18,210	04	03/31/94	**	
01-23140	STATE OF MAINE	ME	08/31/92	909,150	01	05/31/93	**	
03-23135	STATE OF DELAWARE	DE	08/31/92	*	04	03/31/94	**	
09-26517	LOS ANGELES COMMUNITY COLLEGE DISTRICT	CA	08/31/92	8,702	01	06/30/93	**	
06-21186	OKLAHOMA JUNIOR COLLEGE	OK	09/08/92	121,955	01	06/30/93	**	
09-21162	GANAYE ACADEMY OF COSMETOLOGY	CA	09/09/92	10,449	01	06/30/93	**	
05-20004	MTA SCHOOL	OH	09/10/92	16,238,217	01	06/30/93	25	76
09-10007	WESTERN TRUCK SCHOOL	CA	09/10/92	8,834,503	01	05/31/93	25	78
03-27009	COUNCIL FOR EXCEPTIONAL CHILDREN	VA	09/11/92	35,372	04	03/31/94	**	
04-20205	TENNESSEE DEPARTMENT OF EDUCATION	TN	09/14/92	236,196	04	03/31/94	**	
09-21192	ASSOCIATED TECHNICAL COLLEGE	CA	09/14/92	33,736	01	05/31/93	**	
09-21193	ASSOCIATED TECHNICAL COLLEGE	CA	09/14/92	33,083	01	06/30/93	**	
09-21194	ASSOCIATED TECHNICAL COLLEGE	CA	09/14/92	22,256	01	06/30/93	**	
09-21220	AMERICAN TECHNICAL COLLEGE	AZ	09/14/92	*	01	06/30/93	**	
09-21292	HEBREW UNION COLLEGE- JEWISH INSTITUTE OF RELIGION	CA	09/14/92	70,000	01	05/31/93	**	
06-10003	ROSWELL COLLEGE OF COSMETOLOGY	NM	09/15/92	5,956,349	01	06/30/93	25	77
06-21200	OKLAHOMA BAPTIST UNIVERSITY	OK	09/15/92	99,801	01	06/30/93	**	
09-21202	SAN FRANCISCO STATE UNIVERSITY	CA	09/15/92	40,907	01	04/30/93	**	
09-21209	UNIVERSITY OF WEST LOS ANGELES	CA	09/15/92	13,338	01	06/30/93	**	

REPORT NUMBER	AUDITEE/TITLE	ST	DATE ISSUED	MONETARY FINDINGS	REASONS OVERDUE	MANAGEMENT DECISION	REPORT NO.	PAGE NO.
The reports listed below are management improvement reports for which no agreed-upon management decision has been made and which were issued before the commencement of the reporting period.								
91-04	*PROPOSED IMPROVEMENT IN THE VOCATIONAL REHABILITATION PROGRAM - COMPARABLE BENEFITS AND ECONOMIC NEEDS*	*DC*	*01/31/91*	*	*01*	*09/30/93*	*22*	*31,32*
91-05	*PROPOSED IMPROVEMENT IN THE VOCATIONAL REHABILITATION PROGRAM - ELIGIBILITY*	*DC*	*01/31/91*	*	*01*	*09/30/93*	*22*	*31,32*
92-03	*FINANCIALLY UNSTABLE SCHOOL DISTRICTS*	*DC*	*02/11/92*	*	*01*	*05/31/93*	*24*	*65*
92-05	*ED NEEDS TO STRENGTHEN STUDENT LOAN CURE PROCEDURES*	*DC*	*03/13/92*	*154,000,000*	*01*	*16/30/93*	*24*	*12,65*
92-08	*EFFECTIVENESS OF THE OFFICE OF POSTSECONDARY EDUCATION'S EFFORT TO COLLECT PERKINS LOAN EXCESS CASH*	*DC*	*04/01/92*	*	*01*	*06/30/93*		
92-09	*IMPROVEMENTS NEEDED TO ASSURE THE EISENHOWER MATHEMATICS AND SCIENCE EDUCATION PROGRAM MEETS THE OBJECTIVES OF NATIONAL EDUCATION GOAL NUMBER 4 AND THE EISENHOWER ACT*	*DC*	*05/19/92*	*	*01*	*07/31/93*	*25*	*87*
92-10	*STRICTER STANDARDS NEEDED FOR THE GRANTING OF FORBEARANCES*	*DC*	*06/30/92*	*7,600,000*	*01*	*09/30/93*	*25*	*3*
92-12	*LOAN SERVICERS FOR THE GUARANTEED STUDENT LOAN PROGRAM (GSLP) NEED TO BE BETTER CONTROLLED TO SAVE ED MILLIONS IN GSLP LOSSES*	*DC*	*08/19/92*	*	*01*	*06/30/93*	*25*	*3*
92-13	*ED NEEDS TO CHANGE THE LEGISLATIVE DEFINITION OF LOANS IN REPAYMENT*	*DC*	*09/04/92*	*	*01*	*06/30/93*	*25*	*5*

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* Non-monetary findings only
** Not individually written up
*** Information not provided by POC

REASONS CODES FOR REPORTS OVER SIX MONTHS OLD
01 - Administrative delays
02 - Delay in receiving auditee comments or additional information from auditee
03 - Delay in receiving additional information from non-Federal auditor.
04 - Lack of staff

RECOMMENDATIONS DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED

Section 5(a)(3) of the Inspector General Act requires a listing of each report resolved before the commencement of the reporting period for which management has not completed corrective action. The reports listed below are OIG internal and nationwide audit reports and management improvement reports.

REPORT NUMBER	AUDITEE/TITLE	*OFFICE	DATE RESOLVED	TOTAL MONETARY FINDINGS	SEMIANNUAL REPORT NO.	PAGE NO.
OFFICE OF POSTSECONDARY EDUCATION						
11-30019	AUTOMATED INTEREST PAYMENT SYSTEM GUARANTEED STUDENT LOAN PROGRAM	3	03/05/85	*	10	13
04-40015	CONTROLS NEEDED TO PREVENT AND DETECT FRAUD AND ABUSE OF THE GUARANTEED STUDENT LOAN PROGRAM	3	04/25/86	8,300,000	13	9
01-40013	RESERVE FUND USES BY FIVE STATE GUARANTEE AGENCIES	3	07/22/87	28,700,000	15	18
11-60269	REVIEW OF THE GUARANTEED STUDENT LOAN/NATIONAL DIRECT STUDENT LOAN DATA BASE	3	01/31/89	6,600,000	17	27
11-80180	REVIEW OF THE CAMPUS-BASED FINANCIAL MANAGEMENT SUBSYSTEM	3	06/30/90	122,940,000	19	39
11-80160	FINANCIAL ANALYSIS CERTIFICATION PROCESS NOT ADEQUATE TO PROTECT STUDENT	3	09/30/90	15,026,619	19	16
06-70200	NEED FOR MORE AGGRESSIVE COLLECTION OF PERKINS LOAN EXCESS CASH BY OPE	3	11/30/90	282,000,000	19	19
04-70013	AUDIT OF THE EFFECT OF THE RESTRICTIVE FILING REQUIREMENT CONTAINED IN PUBLIC LAW 99-498, SECTION 428 (c) (1), ON THE EFFICIENT USE OF FEDERAL FUNDS WITHIN THE GUARANTEED STUDENT LOAN PROGRAM	3	02/28/91	5,900,000	19	20
11-90050	ACCREDITING AGENCY RECOGNITION PROCESS DOES NOT SERVE AS AN EFFECTIVE CONTROL IN DETERMINING THE RELIABILITY OF AGENCIES THAT ACCREDIT NUMEROUS PROBLEM SCHOOLS	3	06/30/91	*	22	6
01-70090	GUARANTEED STUDENT LOAN HOLDER SHOULD BE REQUIRED TO PROVIDE DATA ON REFUNDS AND CANCELLATIONS WHICH COULD BE USED TO SYSTEMATICALLY IDENTIFY SCHOOLS WITH POTENTIAL REFUND PROBLEMS	3	01/31/92	4,500,000	21	15
88-09**	OSFA NEEDS TO CONDUCT PROGRAM REVIEWS AT STUDENT FINANCIAL AID SERVICERS	3	09/30/89	*	17	28
90-14**	INEQUITABLE CLOCK TO CREDIT HOUR CONVERSIONS HARMFUL TO STUDENTS AND TAXPAYERS	3	10/30/90	*	20	7
90-06**	IMPROVING THE DEPARTMENT'S OVERSIGHT OF SECONDARY MARKETS	3	08/31/90	*	20	11
89-02**	ED HAS DETERMINED CERTAIN INSTITUTIONS TO BE ELIGIBLE FOR THE SFA PROGRAM WITHOUT VERIFYING DATA ON COURSE LENGTH	3	09/30/90	58,000,000	18	33
90-07**	STANDARDS NEEDED TO STRENGTHEN GUARANTEE AGENCY LENDER REVIEWS	3	09/30/90	*	20	11
89-09**	STRETCHING OF TRAINING PROGRAMS BEYOND THE LENGTH NEEDED TO PREPARE STUDENTS FOR GAINFUL EMPLOYMENT	3	01/31/91	*	19	6
90-02**	IMPROVING ABILITY TO BENEFIT DETERMINATIONS AND RELATED SFA ADMISSIONS PRACTICES IN THE DEPARTMENT'S SFA PROGRAMS	3	03/31/91	*	20	4
90-11**	IMPROVING THE SUPPLEMENTAL LOANS FOR STUDENTS (SLS) PROGRAM	3	03/31/91	*	20	15
90-08**	WEAKNESS IN DISBURSING PLUS LOAN CHECKS DIRECTLY TO BORROWERS	3	09/30/91	*	20	15
90-09**	EXTENSIVE NON-COMPLIANCE BY CERTAIN LENDERS WITH THE DEPARTMENT OF EDUCATION'S GUARANTEED STUDENT LOAN PROGRAM DUE DILIGENCE REQUIREMENTS	3	03/31/91	*	20	12
90-10**	PROPOSED PROCEDURE TO ENSURE PAYMENT OF LOAN ORIGINATION FEES FOR STAFFORD LOANS	3	09/30/91	587,000	20	12
90-12**	CONTROLS NEEDED OVER THE USE OF THIRD PARTY SERVICERS IN THE GUARANTEED STUDENT LOAN PROGRAM	3	09/30/91	*	20	11
91-09**	IMPROVEMENTS NEEDED TO STRENGTHEN GUARANTEE AGENCY SCHOOL REVIEWS	3	01/31/92	0	23	10
92-01**	REDUCING RISK ASSOCIATED WITH UNSECURED LOAN ADVANCES	3	03/31/92	0	24	64

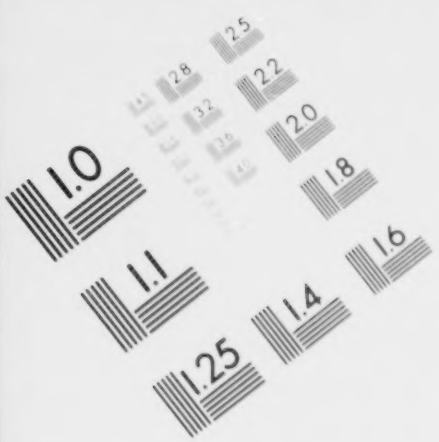
REPORT NUMBER	AUDITEE/TITLE	*OFFICE	DATE RESOLVED	TOTAL MONETARY FINDINGS	SEMIANNUAL REPORT NO.	PAGE NO.
	OFFICE OF ELEMENTARY AND SECONDARY EDUCATION					
09-40004	FOLLOW-UP OF NATIONWIDE AUDIT OF THE MIGRANT EDUCATION PROGRAM	1	03/31/89	151,000,000	16	8
03-40011	STATE PER PUPIL EXPENDITURE DATA	1	03/31/90	60,000,000	19	32
11-90200	REVIEW OF THE INDIAN EDUCATION FINANCIAL MANAGEMENT SUBSYSTEM	1	03/31/91	1,563,000	21	33
	OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES					
06-80260	NATIONWIDE AUDIT OF THE COUNT OF HANDICAPPED CHILDREN REPORTED FOR THE EDUCATION OF THE HANDICAPPED PROGRAM	2	06/30/91	37,700,000	22	29
91-03**	IMPROVING FISCAL CONTROLS AND FINANCIAL REPORTING IN THE DEPARTMENT'S STATE VOCATIONAL REHABILITATION PROGRAMS	2	09/30/91	*	22	30
	OFFICE OF HUMAN RESOURCES AND ADMINISTRATION					
11-90760	EXPIRED GRANTS ALLOWED TO REMAIN OPEN FOR YEARS	12	09/30/91	296,000,000	22	39
11-00317	FEDERAL REAL PROPERTY ASSISTANCE PROGRAMS	12	03/31/92	*	23	26
	OFFICE OF MANAGEMENT & BUDGET/CHIEF FINANCIAL OFFICER					
11-90301	ED NEEDS TO IMPROVE ITS INTERNAL AUDIT FOLLOW-UP SYSTEM	15	02/28/90	*	19	39
11-80303	DEPARTMENT PROCEDURES FOR AWARDING AND MONITORING GRANTBACKS	15	09/30/90	*	19	42
11-70263	REVIEW SELECTED BALANCES ON THE REPORT ON FINANCIAL POSITIONS (SF-220)	10	03/31/91	3,070,000	21	32
91-02**	TIME DISTRIBUTION PROBLEMS REPORTED AT STATE EDUCATION AGENCIES	10	09/30/91	*	**	

* Non-monetary findings only
** Management improvement report

SIGNIFICANT FINDINGS AND RECOMMENDATIONS DISCLOSED IN OIG-ISSUED AUDIT REPORTS

(OCTOBER 1, 1992 - MARCH 31, 1993)

STUDENT FINANCIAL ASSISTANCE PROGRAMS		
STATE—Auditee **ACN** (Issue Date)	**Significant Findings**	**Significant Recommendations**
PR—San Juan City College; *San Juan, PR* ACN 02-10017 (2/2/93)	San Juan City College (SJCC) assigned an unreasonable and excessive number of credit hours to its courses when converting them from a clock-hour to a credit-hour basis. As a result, SJCC improperly increased the amount of Pell Grant funds for which a student could be eligible, without increasing the actual hours of attendance or actual length of its programs.	We recommended that ED direct SJCC to: 1) determine the amount of Pell Grant overawards made to SJCC students as a result of excessive clock- to credit-hour conversions for the award year 1989-90 and refund those amounts to ED, or refund $1,629,000 in estimated overawards to ED; 2) determine and refund to ED all Pell overawards made to SJCC students for award years 1987-88, 1988-89, 1990-91 and 1991-92, which we estimate to be $5,797,000; and 3) assign credit hours to its courses using a technique that ensures an equivalence between clock hours and credit hours.
NY—New York City Technical College; *New York, NY* ACN 02-20075 (3/12/93)	New York City Technical College (City Tech) awarded SFA program funds to students who did not meet City Tech's published satisfactory academic progress standards for the period July 1, 1990 to June 30, 1991.	We recommended that ED direct City Tech to: 1) determine and refund to ED all SFA awards made to students who did not meet City Tech's published satisfactory progress standards during the 1990-91 award year, or refund $1,283,900 in estimated SFA awards made to ineligible students; and 2) perform similar reviews of students who were awarded financial aid during the award year 1991-92 and refund to ED or the appropriate lenders all SFA awards made to ineligible students.



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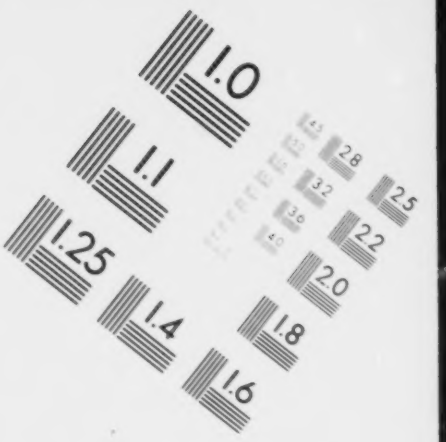

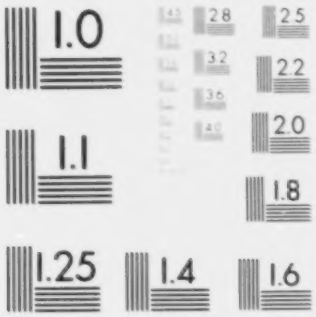

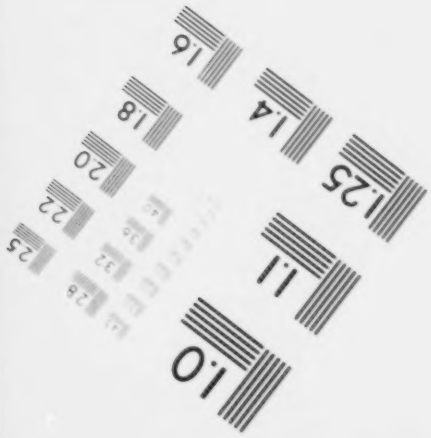

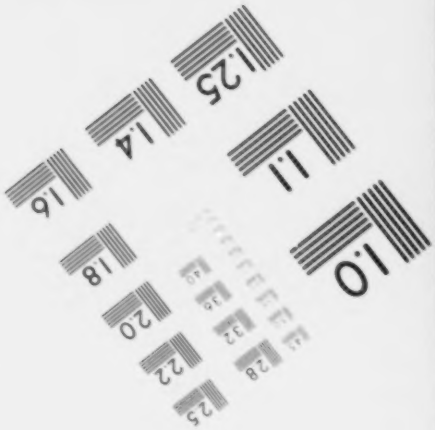

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STUDENT FINANCIAL ASSISTANCE PROGRAMS

STATE—Auditee ACN (Issue Date)	Significant Findings	Significant Recommendations
NY—The General Theological Seminary of the Protestant Episcopal Church in the United States; *New York, NY* **ACN 02-21215** (10/13/92)*	The audit disclosed unsupported costs of $725,784 for the period July 1, 1986 to June 30, 1990. The auditor found that the institution did not have required documentation for SFA, including loan applications for guaranteed student loans; analyses of student need to preclude awards in excess of needs; and signed statements of educational purpose.	The auditor recommended that ED determine the allowability of costs identified in the report.
PR—Institute of Multiple Technology, Inc.; *Mayaguez, PR* **ACN 02-31009** (11/18/92)*	The audit disclosed questioned costs of $1,870,591, unsupported costs of $208,812, and other recommended recoveries of $118,164 for the period July 1, 1987 to June 30, 1991. The auditor found that the Institute of Multiple Technology: 1) used Pell Grant funds for unauthorized purposes; 2) offered programs that were not licensed by the Puerto Rico Department of Education, and disbursed Title IV funds to students enrolled in these programs; 3) disbursed Pell grants to students without maintaining proper attendance records; and 4) did not pay the noninstitutional portion of Pell grants to students.	The auditor recommended that ED determine the allowability of costs identified in the report.
DC—Southeastern University; *Washington, DC* **ACN 03-10002** (12/31/92)	Southeastern University's administration of the SFA programs was seriously deficient in the areas of administrative capability, non-adherence to SFA regulations pertaining to admissions standards, satisfactory academic progress, financial aid transcripts, student eligibility, and unrefunded student account balances. As a result of the findings noted, we estimated that Southeastern improperly expended approximately $799,250 for the audit period.	Due to the serious nature of the problems identified, we recommended that ED terminate Southeastern's eligibility to participate in the Department's SFA programs. We estimate that approximately $1,145,000 of Title IV SFA funds will be better used during the next year if our recommendation is implemented.

STUDENT FINANCIAL ASSISTANCE PROGRAMS

STATE—Auditee ACN (Issue Date)	Significant Findings	Significant Recommendations
NC—State of North Carolina; *Raleigh, NC* ACN 04-23223 (3/11/93)*	The report identified $560,725 in questioned costs and $18,962 in unsupported costs for the year ended June 30, 1991. The auditor found that the State Department of Community Colleges had charged as direct cost to the Vocational Education Basic Grant $349,115 of costs that were organization-wide in nature and benefited all departmental programs. The auditor also reported that at the Department of Public Instruction (DPI), three grants had been charged payroll costs ($101,304) in excess of actual time charged to the grants by the department's time reporting system. Also at DPI, $83,860 was drawn down on the Education for the Handicapped Act VI-B Preschool Grant after the grant period had ended. The remaining questioned costs were attributable to various SFA violations at four State universities. The unsupported costs consisted of errors in the calculation of payments to local education agencies.	The auditor recommended that ED determine the allowability of costs identified in the report.
WI—Diesel Truck Driver Training School, Inc.; *Sun Prairie, WI* ACN 05-20006 (3/12/93)	Diesel Truck Driver Training School, Inc., misclassified instructional hours offered as part of the Commercial Driver Training Program, thereby overstating program length when it calculated the number of semester hours of training provided. As a result, for the period August 29, 1989 through May 20, 1992, it improperly awarded and disbursed Pell funds to students. In addition, Diesel maintained excess Federal cash balances, did not always make guaranteed student loan refunds or make them in a timely fashion, and made an ineligible second Pell disbursement.	We recommended that the Department instruct Diesel to: 1) refund to ED $2,480,651 of questioned Pell Grant funds disbursed between August 29, 1989 and June 30, 1991; and 2) determine how much in Pell funds was disbursed after June 30, 1991, and refund that amount to ED. In its response to our draft report, Diesel stated that it no longer offers programs that are eligible for Title IV funds. Accordingly, we recommended that the Department initiate immediate action to terminate Diesel's eligibility to participate in Title IV programs. Implementing the above recommendations will result in annual better use of about $1.9 million.

STUDENT FINANCIAL ASSISTANCE PROGRAMS

STATE—Auditee ACN (Issue Date)	Significant Findings	Significant Recommendations
OH—Lake Erie College; *Painesville, OH* **ACN 05-21707** (11/30/92)*	The report disclosed 43 findings, including lack of documentation supporting College Work-Study expenditures and students' achievement of satisfactory academic progress. In addition, there were findings on student and institutional eligibility. As a result, approximately $2.1 million dollars was identified as questioned costs.	The auditor recommended that ED determine the allowability of costs identified in the report.
TX—Microcomputer Technology Institute; *Houston, TX* **ACN 06-20002** (10/14/92)	Microcomputer Technology Institute (MTI) improperly disbursed Pell Grant funds for incarcerated students during the period July 1988 through December 1991 by overstating attendance costs for incarcerated students and then disbursing Pell funds that the students were not entitled to receive. The audit also found excessive withdrawal rates and other instances of non-compliance with Title IV program requirements at the prison training locations.	We recommended that MTI cease awarding and disbursing Pell grants to incarcerated students. Implementing this recommendation will result in better use of over $2.2 million of Pell Grant funds annually. We also recommended that MTI or its owners be required to refund the $5.57 million in Pell grants disbursed for over 3,300 incarcerated students from July 1, 1988 through December 31, 1991, as well as any additional Pell funds disbursed after that date.
AR—Shorter College; *Little Rock, AK* **ACN 06-31030** (1/7/93)*	The report, which covered the period July 1, 1988 through June 30, 1991, questioned Shorter College's ability to administer the Title IV SFA programs. Among the audit findings were that the institution used Perkins Loan program funds for general operating expenses, and that the institution's FFELP [guaranteed student loan] default rate for 1991 was 53 percent.	The auditor recommended that ED determine the allowability of costs identified in the report.

STUDENT FINANCIAL ASSISTANCE PROGRAMS		
STATE—Auditee **ACN** (Issue Date)	**Significant Findings**	**Significant Recommendations**
MO—Dickinson Business College [Career Point Business School]; *Kansas City, MO; San Antonio, TX; Tulsa, OK* **ACN 07-10076** (2/26/93)	Career Point Business School did not comply with the disbursement requirements for Pell Grant funds and for Stafford Loan and SLS program loan proceeds; disregarded its satisfactory academic progress policy; assigned an excessive and unreasonable amount of quarter credit hours to its educational programs; and misrepresented the employability of its students. Career Point also had high withdrawal and default rates, and did not comply with specific regulations governing the Pell Grant, Stafford Loan and SLS programs.	We recommended that the Department terminate Career Point Business School's eligibility to participate in the Title IV programs. We estimate that $4.25 million in Federal SFA funds could be better used if our recommendation is implemented. We also recommended that ED require Career Point Business School to: 1) refund to ED $7.0 million in Pell Grant funds disbursed from July 1, 1988 through December 31, 1990, and all Pell Grant funds inappropriately disbursed since December 31, 1990; 2) purchase from lenders all outstanding Stafford and SLS loans made to students enrolled in its schools since July 1, 1988, and refund to ED loans made since July 1, 1988, that subsequently defaulted; and 3) calculate and refund to ED interest and special allowance paid on Stafford loans made since July 1, 1988.
CA—IADE American Schools; *Sacramento, CA* **ACN 09-21330** (12/7/92)*	The report, covering the period July 1, 1989 through June 30, 1991, disclosed that the institution owed the Title IV programs a total of $542,336 in refunds as of March 30, 1992. The school also incurred unsupported costs of $84,161, as there was insufficient documentation to show that the less-than-minimum passing score on the ability-to-benefit test was properly approved.	The auditor recommended that ED determine the allowability of costs identified in the report.

ELEMENTARY, SECONDARY, AND OTHER EDUCATION PROGRAMS		
STATE—Auditee **ACN** (Issue Date)	**Significant Findings**	**Significant Recommendations**
CT—Connecticut Department of Education; *Hartford, CT* **ACN 01-20351** (1/27/93)	Our review found that, during FYs 1987 through 1991, the Connecticut Department of Education (CDE) failed to apply restricted indirect cost rates, resulting in certain ED programs being overcharged $963,199 in indirect costs. Effective in FY 1987, ED programs that have statutory requirements prohibiting the use of Federal funds to supplant non-Federal funds are required to be charged indirect costs using restricted indirect cost rates and modified total direct cost bases. Although CDE's previous cognizant agency, the Department of Health and Human Services, had provided CDE with restricted indirect cost rates, CDE advised us that it was unaware of the restricted-indirect-cost-rate requirement.	We recommended that ED direct CDE to repay the $963,199.
MA—Commonwealth of Massachusetts; *Springfield, MA* **ACN 01-23148** (2/15/93)*	The principal finding was that the State had charged the Vocational Rehabilitation program for salary expenditures that were not supported by a cost allocation plan detailing the amount of time that the State's personnel worked on the program. Unsupported costs charged to the Vocational Rehabilitation program amounted to $994,358.	The auditor recommended that ED determine the allowability of costs identified in the report.

ELEMENTARY, SECONDARY, AND OTHER EDUCATION PROGRAMS		
STATE—Auditee **ACN** (Issue Date)	**Significant Findings**	**Significant Recommendations**
CT—Connecticut State Board of Education; *Hartford, CT* **ACN 01-23237** (2/19/93)*	Among the most significant findings are the following. 1) The State charged 100 percent to the Handicapped Children program even though the State's personnel did not work exclusively on that program. Unsupported costs charged to the program amounted to $962,096. 2) Unsupported costs of $234,640 had been charged to the administrative portion of the Federal, State and Local Partnership for Educational Improvement program that did not benefit the program. 3) The State did not comply with the maintenance-of-effort requirement under the Vocational Education – Basic Grants to States program. The auditors questioned costs of $133,722. 4) Documentation could not be located to support the allocation for $100,566 in salary expenditures charged to the Bilingual Education program.	The auditors recommended that ED determine the allowability of costs identified in the report.
PR—Puerto Rico Department of Education; *Hato Rey, PR* **ACN 02-23049** (12/29/92)	The auditors found that the Puerto Rico Department of Education (PRDE) had not adequately complied with Federal requirements for audit and monitoring of subrecipients to which it provided funding under Chapter 1 of the Elementary and Secondary Education Act. In relation to this finding, the auditors identified $2,179,014 in unsupported costs. That amount includes $1,825,270 transferred to a subrecipient that was later debarred by ED for failure to document participant eligibility. The auditors also identified $985,866 in accounts receivable outstanding for one year or more relating to overpayments to employees which had been charged to Federal programs.	The OIG has recommended the recovery of $985,866 in accounts receivable outstanding from PRDE, as the auditors state that PRDE is not processing accounts receivable on a timely basis.

ELEMENTARY, SECONDARY, AND OTHER EDUCATION PROGRAMS		
STATE—Auditee **ACN** (Issue Date)	**Significant Findings**	**Significant Recommendations**
WV—West Virginia Department of Education; *Charleston, WV* **ACN 03-10601** (10/30/92)	The West Virginia Department of Education (WVDE): 1) was not receiving subrecipient audit reports in a timely manner; 2) was not assuring the proper resolution of audit findings and the development of corrective action plans; 3) was not assuring that submitted audit reports met the reporting requirements of Office of Management and Budget Circular A-128; and 4) was not assessing the quality of subrecipient audits. As a result of these deficiencies, WVDE could not provide the Federal government with reasonable assurance that Federal funds were spent by subrecipients in compliance with the applicable laws and regulations, and that all readily identifiable instances of noncompliance were properly identified and reported.	We recommended that WVDE establish and implement the necessary systems to ensure the timeliness and quality of subrecipient audit reports. In view of the seriousness of the situation, we also questioned and recommended the refund of $4,826,638 in administrative costs charged for the Education Consolidation and Improvement Act - Chapter I, Education of Handicapped Children - State Grant, and Vocational Education - Basic Grants to States programs for FYs 1987-1990. Finally, we recommended that ED funding of administrative costs for these three programs be suspended until a system to ensure compliance with the audit requirements has been implemented.

ELEMENTARY, SECONDARY, AND OTHER EDUCATION PROGRAMS		
STATE—Auditee ACN (Issue Date)	**Significant Findings**	**Significant Recommendations**
PA—Commonwealth of Pennsylvania; *Harrisburg, PA* **ACN 03-23136** (12/29/92)*	The auditors found that the Pennsylvania Department of Education (PDE) had reduced its 1990 fiscal effort on vocational education programs by $4,109,159 from State fiscal year 1989 levels, and therefore did not meet program requirements for maintenance of effort. The auditors questioned the $39,603,000 in Vocational Education – Basic Grants to States Program funds which PDE had expended during the year. The auditors found that the 1987, 1988 and 1989 data used by PDE to calculate needed effort was not comparable to the 1990 data. The auditors also found that PDE could not provide the detailed source documents that were to have been submitted by Philadelphia School District to document public and nonpublic Chapter 2 enrollments. The auditors identified $2,310,505 in unsupported costs which had been allocated to Philadelphia School District by PDE under the Federal, State, and Local Partnerships for Educational Improvement Program.	The auditors recommended that ED determine the allowability of costs identified in the report.
WV—State of West Virginia; *Charleston, WV* **ACN 03-23212** (11/25/92)*	The auditors found that the State of West Virginia could not document that it had received and reviewed audit reports for local education agencies to which it had subgranted ED funds for the year ending June 30, 1990. The auditors reported unsupported costs of $33,793,732 under the Educationally Deprived Children program, $10,147,631 under the Handicapped State Grants program, and $3,483,171 under the Vocational Education – Basic Grants to States program.	The auditors recommended that ED determine the allowability of costs identified in the report.

ELEMENTARY, SECONDARY, AND OTHER EDUCATION PROGRAMS		
STATE—Auditee **ACN** (Issue Date)	**Significant Findings**	**Significant Recommendations**
WV—State of West Virginia; *Charleston, WV* ACN 03-23238 (2/15/93)*	The auditors found that the State of West Virginia could not document that it had received and reviewed audit reports for local education agencies to which it had sub-granted ED funds for the year ending June 30, 1991. The auditors reported unsupported costs of $36,809,148 under the Educationally Deprived Children program, $10,512,100 under the Handicapped State Grants program, and $3,679,234 under the Vocational Education - Basic Grants to States program. The auditors also identified disbursements totaling $616,137 made to subrecipients where the applicable requests for funds did not bear the signatures of fiscal office personnel and/or program personnel indicating approval. Additionally, the State was unable to provide documentation to support disbursements made to subrecipients in the amount of $322,048.	The auditors recommended that ED determine the allowability of costs identified in the report.
SC—South Carolina Commission for the Blind; *Columbia, SC* ACN 04-23147 (2/11/93)*	The report identified $880,707 in unsupported costs and $403,109 in questioned costs. The auditor disclaimed an opinion due to insufficient and inadequate accounting records for accurately identifying transactions applicable to Federal funds. The majority of the unsupported costs resulted due to lack of supporting documentation for unliquidated obligations. Questioned costs consisted of employees' salaries being charged to Federal programs when their duties were not directly related to the program.	The auditor recommended that ED determine the allowability of costs identified in the report.
SC—South Carolina Statewide; *Columbia, SC* ACN 04-23165 (2/23/93)*	The report identified $508,133 in questioned costs. The auditor found that the State Commission for the Blind had charged employees' salaries to Federal programs when their duties were not directly related to the program. Other questioned costs resulted from a misallocation of expenditures between programs.	The auditor recommended that ED determine the allowability of costs identified in the report.

ELEMENTARY, SECONDARY, AND OTHER EDUCATION PROGRAMS		
STATE—Auditee ACN (Issue Date)	**Significant Findings**	**Significant Recommendations**
FL—Florida Statewide; *Tallahassee, FL* **ACN 04-23203** (1/18/93)*	The auditor found that the State Department of Education had not established control policies with the Drug-Free Schools and Communities State Grant Program regarding the reallocation of unobligated funds to local educational agencies in succeeding years. This resulted in unsupported costs of approximately $520,000. The auditor also found that the State Department of Education had drawn $93,207 in excess of the amount authorized for the Rehabilitation Services Basic Support Program.	The auditor recommended that ED determine the allowability of costs identified in the report.
MS—State of Mississippi; *Jackson, MS* **ACN 04-23211** (3/11/93)*	The auditor found that the State Department of Education had several internal control problems over the Drug-free School and Communities – State Grant which resulted in the agency's not being able to assure that the funds were properly allocated and expended for allowable goods and services. Consequently, the entire grant, totaling $4,371,475, was considered to be unsupported. At the State Department of Human Services, the auditor found that the Rehabilitation Services – Basic Grant had been overcharged its share of the cost allocation plan by $109,597 and the department had not obtained a waiver of the requirement that at least 20 percent of the Comprehensive Services for Independent Living funds be used to make grants to local organizations.	The auditor recommended that ED determine the allowability of costs identified in the report.
OH—State of Ohio; *Columbus, OH* **ACN 05-23444** (1/18/93)*	The auditors found that Ohio had charged $567,670 of indirect costs to Rehabilitative Services Grants that were applicable to other federal grants. In addition, the auditors identified $227,000 of settlement costs related to back pay and fringe benefits for a terminated employee which were charged to a Rehabilitative Services grant.	The auditors recommended that ED determine the allowability of costs identified in the report.

ELEMENTARY, SECONDARY, AND OTHER EDUCATION PROGRAMS

STATE—Auditee ACN (Issue Date)	Significant Findings	Significant Recommendations
LA—Louisiana Rehabilitation Services; *New Orleans, LA* **ACN 06-20204** (1/5/93)	The Louisiana Rehabilitation Services Agency used an estimated $5.8 million in Federal vocational rehabilitation (VR) funds to pay for services that were covered by other funding sources. We identified over $4.1 million that had been paid to three State hospitals for inpatient services which were fully reimbursed for the same services, primarily by the Medicaid program. Furthermore, we estimated that erroneous payments of another $1.5 million were made to one of the hospitals. We estimated the amount of these payments because access to patient records was not provided. In addition, we found that the Agency paid about $184,000 for services to VR clients in a State-operated rehabilitation dormitory. All of the dormitory clients were eligible for Medicaid or Medicare, but no effort was made to obtain those benefits. The Agency also overpaid one State hospital about $588,000 in Federal VR funds because Agency officials made errors in counting VR clients receiving hospital services. The hospital used these counts to calculate charges to the VR program and to prepare monthly billings.	We recommended that the Agency be required to strengthen its procedures for ensuring that comparable services and benefits provided by other agencies are considered and used, and that VR funds are spent only for services not paid by other sources. We also recommended that the Agency be required to refund either the estimated $5.6 million paid to the hospitals, or refund the $4,110,310 of actual erroneous payments and determine and refund additional erroneous payments for those VR clients whose records we were unable to review. Implementation of these and other recommendations made in the report will result in the better use of an estimated $2.1 million of VR funds annually. With regard to its overpayment of Federal VR funds to a State hospital, the Agency recognized that its count procedures resulted in overcharges to the VR program and in July 1990 corrected the problem. However, the $588,000 overpaid to the hospital was not returned to the VR program. We recommended that the Agency be required to refund the $588,000.
AZ—Red Mesa Unified School District; *Phoenix, AZ* **ACN 09-33038** (2/25/93)*	The report identified $3,075,890 in unsupported costs. The auditor disclaimed an opinion due to insufficient and inadequate accounting records and questioned expenditures on all grants. The direct grants consisted of Impact Aid funds totaling $2,873,516 and Indian Education funds totaling $202,374.	The auditor recommended that ED determine the allowability of costs identified in the report.

DEPARTMENTAL MANAGEMENT

ACN (Issue Date)	Significant Findings	Significant Recommendations
DC—Contract Close-out Process; *Washington, DC* ACN 11-00333 (3/17/93)	As of March 14, 1992, more than 73 percent of the Department's 779 expired contracts were not closed within the time frames required by Federal regulations. More important, over 53 percent of the expired contracts had $18 million available in unexpended contract funds remaining on the books that should have been deobligated. In addition, over $10.9 million of the available funds represented contracts which Grants and Contracts Service (GCS) had already closed out and had sent the files to the Federal records center. Finally, we noted that key reports were missing from expired contract files and, in 11 percent of our sample, GCS could not locate the contract files at all.	We recommended that GCS: 1) review its current balance of unexpended contract funds for all expired contracts that are past the Federal Acquisition Regulations time frames and request the deobligation of any excess funds; 2) prepare a time schedule to complete the closure of the remaining 563 expired contracts amassed since 1985, and reassess the workload requirements and corresponding allocation of staff resources to assure that contracts are closed out as well as awarded in a timely manner; and 3) revise the procedures so as to designate the specific time frames that GCS and and other ED personnel involved in closing contracts must meet.
DC—OPE's Lender and Guarantee Agency Oversight Function Should Focus More on Audit Follow-up; *Washington, DC* ACN 11-20015 (12/1/92)	The Office of Postsecondary Education's Lender and State Agency Review Branch (LSARB) lacked adequate controls to assure that auditees: 1) corrected the deficiencies identified during audits, and 2) paid audit-related accounts receivable. As a result, LSARB did not know that the guaranty agencies had failed to pay ED almost $1 million in disallowed costs that the agencies were to return through on-site adjustments or offsets against future claims. LSARB also lacked adequate controls to assure that each guaranty agency performed required biennial program reviews of lenders and institutions. Ten of the guaranty agencies we reviewed did not perform program reviews at a total of 46 lenders and institutions during the 1989-90 review period. In addition, 5 of the 46 lenders and institutions were never reviewed by either a guaranty agency or SFA program reviewers. Of the five, we noted that two lenders originated about $193.3 million in guaranteed loans and the two institutions received about $48.7 million in guaranteed student loan funds during the 1989-90 review cycle.	We recommended that LSARB: 1) Notify the Department's Accounting and Financial Management Service (AFMS) to establish accounts receivables totaling almost $1 million for the four guaranty agency audit reports described above; 2) Implement an audit resolution and follow-up system that will track audits until it receives documentation verifying that auditees completed all corrective actions and paid amounts due the Department; 3) For all prior guaranty agency audit reports, identify all recommendations that auditees have not implemented and all audit-related accounts receivables not paid, and notify AFMS to establish accounts receivables for amounts not recovered; and 4) Establish a goal to elevate program reviews to the Assistant Secretary when it cannot reach a decision within six months from the program review issue date.

DEPARTMENTAL MANAGEMENT		
ACN (Issue Date)	**Significant Findings**	**Significant Recommendations**
DC—Impact Aid Site Review Process; *Washington, DC* ACN 11-20202 (3/17/93)	The Impact Aid Program's (IAP) policy of allowing recipients to hold interest-free overpayments during a 150-day collection period, combined with the untimely processing of site reports, cost ED an average of $582,000 a year in lost interest. We also found that IAP management could realize an additional $3.8 million in adjustments each year if they concentrated their site-review coverage on the largest program recipients.	We recommended that IAP managers: 1) assess interest on overpayments during the period for which the overpayments are outstanding; and 2) plan more site reviews of the largest program recipients.

* Non-Federal audit.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS DISCLOSED IN OIG MANAGEMENT IMPROVEMENT REPORTS

(OCTOBER 1, 1992 – MARCH 31, 1993)

Subject MIR No. (Issue Date)	**Significant Findings**	**Significant Recommendations**
Clarifications Needed in the U.S. Department of Education's (ED) Travel Guidance MIR 93-01 (12/10/93)	During a recent audit, OIG auditors found that conflicting guidance and misconceptions regarding the role of ED approving officials in processing travel vouchers, relative to that of the National Finance Center (NFC), contributed to the payment of inappropriate travel expenses. Action is needed to consolidate existing ED guidance to assure that it adequately delineates the responsibilities of ED voucher-processing officials relative to those of NFC officials.	Specifically, ED needs to: 1) execute a memorandum of understanding with NFC to delineate the responsibilities of both parties; 2) clearly delineate the responsibilities of ED supervisors and voucher-approving officials for processing travel vouchers; and 3) combine existing ED travel guidance into a single loose-leaf manual and update as needed.
ED Should Prohibit Conflicts of Interest Between Guaranty Agencies and Affiliated Organizations MIR 93-02 (3/15/93)	OIG auditors obtained data from 12 guaranty agencies and found that 9 of the 12, with approximately $40 billion in loan guarantees, were affiliated with organizations that they are required to monitor. Approximately $11 billion of the $40 billion in loan guarantees were identified as being at risk due to the potential conflicts of interest.	The Department should amend its regulations, or, if necessary, seek legislative change to: 1) prohibit guaranty agencies or their officers and employees from having any affiliation with an entity that is a participant or a service provider in the FFELP; and 2) develop timetables for the guaranty agencies and their officers and employees to divest themselves of their current holdings or to legally separate the guaranty agency from its affiliates.

Subject MIR No. (Issue Date)	Significant Findings	Significant Recommendations
Title IV Funding for Vocational Training Should Consider Labor Market Needs and Performance Standards MIR 93-03 (3/12/93)	The current system by which funds are made available to students for postsecondary vocational training affords little assurance that the training provided by many of the programs will help students obtain gainful employment. Without jobs, they pay less taxes and default on loans more frequently. In summary, both students and taxpayers lose under this system. The lack of available jobs almost certainly accounts, at least partially, for the high default rate of loans made to cosmetology students. This problem is compounded by the fact that the majority of cosmetology students who default on loans did not complete their training and obtain a license. Besides labor market needs, school performance is another factor not considered under the current system. Under the current method of funding vocational training, an eligible school can enroll as many students as possible and disburse as much Title IV funding as is available. Because there are no performance standards, there is little incentive for schools to be overly concerned about how many of their students graduate and find jobs.	We recommended that the Department take the lead in convening an interagency task force to study different funding approaches for students enrolled in vocational training programs, and that the different funding approaches considered by the task force include: 1) the labor market needs of employers—thus in effect limiting Title IV funds to training those in high-demand occupations; and 2) the success rates of schools in placing graduates—thus helping ensure that funds are not wasted for training students at schools which have demonstrated little success in graduating and placing students.

SIGNIFICANT FINDINGS DISCLOSED IN OIG INSPECTION REPORTS

(OCTOBER 1, 1992 — MARCH 31, 1993)

STATE—Entity **Inspection No.** (Issue Date)	**Significant Findings**	**Comment**
OK—Oklahoma Junior College; *Tulsa, OK* **N-0020922** (11/5/92)	Our inspection at Oklahoma Junior College (OJC) revealed a number of serious problems similar to those found at other schools owned by Phillips Colleges, Inc. We found that OJC's admissions representatives promoted financial aid, in violation of Federal regulations and accrediting agency standards. We also found that OJC's ability-to-benefit and entrance test (the same test is used for both purposes) was improperly administered, with various methods—untimed testing, providing students with copies of the test and answer sheets to take home, adjusted scores, falsified General Educational Development certificates—used to circumvent the test's purpose and requirement. As with other Phillips schools, OJC also: 1) used incorrect payment periods; 2) experienced problems with refunds; 3) had an excessive default rate three years in a row; 4) had an assets-to-liabilities ratio of less than 1 to 1 in 1989; 5) maintained inadequate staff to administer the financial aid programs properly; and 6) misrepresented, in the OJC catalog, the approval and accreditation of the school and its courses by various agencies.	We recommended that the Department initiate termination and fine action against OJC and that action be taken to recover all Title IV funds improperly retained by OJC.

STATE—Entity Inspection No. (Issue Date)	Significant Findings	Comment
WA—National Broadcasting School; *Seattle, WA* N-0020925B (10/7/92)	Our inspection disclosed that National Braodcasting School (NBS) did not comply with SFA program regulations. We found that the curriculum failed to meet the course-length requirement for participation in the Pell Grant program. We also found that NBS substantially misrepresented the length of its course to its accrediting agency, the State of Washington, and ED. In addition, we found that the institution is not capable of adequately administering the Title IV programs. Reports from other agencies have disclosed significant deficiencies in NBS's administration of the Title IV programs.	We recommended that the Department take appropriate administrative action against NBS, including a substantial fine, and that action be taken to recover any Title IV funds improperly retained by NBS.

STATE—Entity **Inspection No.** (Issue Date)	Significant Findings	Comment
LA—Coastal College; *New Orleans, LA* **N-0020916** (10/27/92)	Our inspection of Coastal College disclosed: 1) deficient ability-to-benefit determinations; 2) inappropriate activity by commissioned sales staff; 3) misrepresentations to students; 4) inadequate refund procedures [previous reviews of Coastal's SFA programs had also disclosed refund problems]; 5) inadequate implementation of default reduction measures; 6) abuses in the school's trucking program; and 7) deficiencies in administrative and operational procedures. Coastal violated numerous regulations relating to administrative capability, student eligibility, and student consumer-information services. Coastal also violated policies of its accrediting and licensing agencies, and failed to consistently provide adequate educational resources. The worst of the abuses by Coastal occurred in the Advanced Truck Driving Program. Our inspection found that school officials inflated the length of the program, provided students with unauthorized copies of the State licensing examination, coached students to provide false information, required out-of-State students to obtain a Louisiana driver's license, and misrepresented its refund policy. The combined effects of these deficiencies and violations show that Coastal cannot adequately administer the Title IV programs and does not meet the standards required for continued participation in the programs.	We recommended that the Department initiate termination and fine action against Coastal College and that action be taken to recover all Title IV funds improperly retained by Coastal.

STATE—Entity Inspection No. (Issue Date)	Significant Findings	Comment
DC—Strayer College; *Washington, DC* N-0020927 (3/30/93)	Our inspection found that Strayer College: 1) failed to meet numerous standards of administrative capability established by the Secretary; 2) utilized unethical and improper recruitment and enrollment practices; 3) failed to maintain institutional eligibility requirements; 4) has an inadequate system for identifying refunds; 5) improperly maintained credit balances; and 6) failed to rectify problems identified in previous oversight reviews. The full extent of Strayer's noncompliance could not be determined because of the serious and recurring nature of the determinations. Strayer's failure to rectify these deficiencies, besides the violations identified by this inspection, demonstrates that Strayer lacks the administrative capability to continue participating in Title IV programs.	We recommended that the Department initiate termination and fine action against Strayer College and that action be taken to recover all Title IV funds improperly retained by Strayer.

STATE—Entity Inspection No. (Issue Date)	Significant Findings	Comment
MS—Moore Career College; *Jackson, MS* **N-0020928** (1/22/93)	Our inspection of Moore Career College disclosed: 1) deficient ability-to-benefit determinations; 2) inadequate implementation of default reduction measures; 3) inadequate refund procedures; 4) incorrect calculation of SFA awards; 5) incorrect determination of student eligibility; and 6) abuses in the school's Truck Driver Training program. We also found a plethora of administrative and operational deficiencies, including: 1) certification of allegedly forged loan applications; 2) unethical recruiting; 3) inadequate consumer information; 4) inaccurate enrollment and withdrawal records; and 5) inadequate educational supplies. The combined effects of these deficiencies and violations show that Moore cannot adequately administer the Title IV SFA programs and does not meet the standards required for continued participation in the programs.	We recommended that the Department initiate termination and fine proceedings against Moore, and immediately revoke the eligibility of the Truck Driver Training program. We also recommended that action be taken to recover any Title IV funds inappropriately retained by Moore.

STATE—Entity Inspection No. (Issue Date)	Significant Findings	Comment
FL—International Technical Institute; *Tampa, FL* N-0020930 (3/2/93)	The inspection disclosed that International Technical Institute (ITI): 1) improperly awarded and disbursed SFA; 2) failed to make SFA refunds; 3) failed to assure student eligibility; and 4) exhibited many administrative and operational deficiencies. Many of the areas of noncompliance discovered during the inspection represent recurring problems that have been reported repeatedly since 1989. The combined effects of these deficiencies and violations show that ITI cannot adequately administer the Title IV programs and does not meet the standards required for continued participation in the programs.	We recommended that the Department initiate termination and fine action against ITI and that action be taken to recover all Title IV funds improperly retained by ITI.

SIGNIFICANT PROSECUTIVE ACTIONS RESULTING FROM OIG INVESTIGATIONS

(OCTOBER 1, 1993 - MARCH 31, 1993)

~ INDICTMENTS/INFORMATIONS ~	
STATE—Subject	**Description**
CA—*Steven A. Wilson*; Chula Vista, CA	A Federal grand jury in the Southern District of California indicted Steven A. Wilson of four counts of SFA fraud, three counts of false statements, and one count of Social Security number fraud. A joint ED/OIG-Department of Health and Human Services/OIG-California Student Aid Commission investigation found evidence that Wilson used a false name and Social Security number to obtain $24,580 in SFA after previously defaulting on $13,500 in student loans. Wilson is currently incarcerated on State charges for making false financial statements, fraudulent use of a credit card, grand theft, grand theft auto, burglary, and non-sufficient funds.
MA—*Emmett Cotter, Patricia Riga, Jerome E. Royal, Selvin Hicks* and *Darryl Simmes*; Methuen, MA	A Federal grand jury indicted five individuals for conspiracy and mail fraud arising out of their affiliation with the now defunct Andover Tractor-Trailer School, formerly situated in Methuen, Massachusetts. Emmett Cotter, Patricia Riga, Jerome E. Royal, Selvin Hicks, and Darryl Simmes are alleged to have fraudulently solicited students from the Trenton, NJ, and Niagara Falls, NY, areas to enroll in the correspondence course offered by Andover Tractor-Trailer. The subjects are charged with conspiring to fraudulently induce students to apply for ED-funded financial aid programs totaling $1,689,535. The five individuals allegedly received commissions for each student enrolled and, in order to increase the amount of commission, concealed the fraudulent nature of the enrollments. The indictment alleges that the subjects continued to misrepresent a student's status in the program in order to retain their commissions, and that they accomplished the scheme by use of the mail.
MT—"FOOL'S GOLD PROJECT"; Helena, MT	A joint OIG effort with the FBI and U.S. Attorney's office in the District of Montana resulted in the indictment of 20 individuals on charges of SFA fraud. The "Fool's Gold Project" used a computer tape dump to cross-reference the names of persons who had defaulted on student loans with the names of current recipients of Federal student aid funds at Montana's colleges, universities, and vocational technical schools. The original computer list generated more than 800 names of individuals who may be suspected of applying for and receiving SFA funds for which they were ineligible because of prior defaults.

~ INDICTMENTS/INFORMATIONS ~	
STATE—Subject	**Description**
NC—JOHNSON C. SMITH UNIVERSITY, Charlotte, NC; EMPLOYEES	A joint OIG/FBI investigation, based on information received from Johnson C. Smith University, Charlotte, NC, resulted in 40 individuals being charged in the Western District of North Carolina with conspiracy to submit fraudulent applications in order to obtain Stafford loans. The alleged fraud involved 163 applications and the payment of $515,718 to ineligible recipients. An OIG investigation found evidence that two employees in the university's financial aid office conspired with 38 relatives, friends and acquaintances to defraud the Stafford Loan program. In furtherance of this conspiracy, the employees allegedly prepared, certified and submitted loan applications containing information that was materially false.
SC—MANSFIELD BUSINESS COLLEGE, Columbia, SC; *Kevin Daughtry*, DIRECTOR	Kevin Daughtry, a former director of Mansfield Business College in Columbia, SC, was charged in an 11-count indictment with making false reports that reduced Federal student aid refund payments by $36,403. Mansfield is a proprietary business and technical school owned by the CareerCom Corporation. Investigation was initiated based on information developed by CareerCom's Internal Security office and corroborated by an internal audit of student files.
TX—NATIONAL EDUCATION CENTER, Houston, TX; *Velia Avila, Claudia Fabre* and *Virginia Valdez*, STUDENT FINANCIAL AID EMPLOYEES, *et al.*	A Federal grand jury in the Southern District of Texas indicted 11 individuals on SFA fraud and general principals charges for conspiring to defraud the SLS program of $280,000. An additional 30 individuals have entered into a pre-trial diversion agreement or have made other arrangements to repay the loans illegally obtained. An OIG investigation identified Velia Avila, Claudia Fabre and Virginia Valdez, former student financial aid employees at the Bryman campus of the National Education Center, Houston, TX, along with others named in the indictment, as having recruited individuals to submit 70 fraudulent applications for SLS loans to the now failed University Savings bank.

~ CONVICTIONS/PLEAS ~	
STATE—Subject	**Description**
IN—ACME INSTITUTE OF TECHNOLOGY, South Bend, IN; *James Jackson*, OWNER	James Jackson pled guilty in the Northern District of Indiana to a one-count information charging him with student financial aid fraud. The information charged that Jackson, former owner of Acme Institute of Technology, South Bend, IN, willfully misapplied $255,000 in guaranteed student loan proceeds by failing to refund unused portions of the loans to lenders when students withdrew from his school. As part of his plea agreement, Jackson agreed to make full restitution of the funds that he misapplied at the South Bend school, as well as the $85,000 he similarly misapplied at his school in Fort Wayne, IN, if so ordered by the court.
MO—KANSAS CITY BUSINESS COLLEGE, NATIONAL COLLEGE, and SULLIVAN EDUCATION CENTER, Kansas City, MO; *Patrice Renee Harris*, FINANCIAL AID DIRECTOR	Patrice Renee Harris, former director of financial aid at Kansas City Business College, National College, and Sullivan Education Center in Kansas City, MO, pled guilty to a one-count information charging SFA fraud in the Western District of Missouri. Investigation disclosed that Harris fraudulently obtained $25,220 in PLUS funds by using the names and Social Security numbers of students enrolled at the schools. Harris also used the names and Social Security numbers of fictitious or non-existent students to apply for SFA. Further evidence was found that Harris falsely certified and submitted a student loan deferment form for guaranteed student loan funds she received, which caused the Department to pay interest to the lending institution during her extended grace period.
NB—UNIVERSITY OF NEBRASKA AT OMAHA, Omaha, NB; *Natalie K. Bothwell*, ASSISTANT FINANCIAL AID DIRECTOR	Natalie K. Bothwell, former assistant financial aid director, University of Nebraska at Omaha (UNO), Omaha, NB, pled guilty to a two-count felony information charging her with student financial aid fraud and mail fraud. Investigation disclosed that Bothwell used her position as assistant financial aid director at UNO to fraudulently receive and/or disburse a total of $53,835 in Federal, State, and privately funded financial aid. According to investigators, Bothwell fraudulently certified six student loan applications for herself by falsifying information on the applications. Bothwell also used her sister's name to obtain an SLS loan and "awarded" her sister additional scholar-ship and grant funds; fraudulently certified a Stafford loan for her brother; fraudulently awarded 12 State of Nebraska scholarships to herself and other ineligible individuals; applied for and received an Excel loan by forging the name of a school official on the enrollment verification form; and submitted a false student loan deferment form to the Iowa Student Loan Liquidity Corporation by asking her husband to forge the name of a UNO school official.

~ CONVICTIONS/PLEAS ~	
STATE—Subject	**Description**
NY—*Mary T. Shakun*; New York, NY	Mary T. Shakun pled guilty to two counts of mail fraud in the Southern District of New York as the result of an information charging her with two counts of mail fraud and two counts of SFA fraud. Shakun admitted in a plea agreement that she submitted nine Stafford and PLUS loan applications as part of a scheme to defraud the U.S. Department of Education. A joint OIG/Postal Inspection Service investigation found evidence that Shakun attempted to obtain $44,075 in SFA by falsifying the school portion of 11 Stafford and PLUS applications to attend the University of St. Andrews, St. Andrews, Fife, Scotland. In furtherance of her scheme, Shakun used several aliases and invalid Social Security numbers; represented herself as a U.S. citizen; and forged the signatures of school officials to reflect enrollment and attendance. Shakun's scheme netted her $20,575.
PR—ADVANCE BUSINESS COLLEGE, Aguada, PR; *Gerardo Hipolito Tirado Torres*, OWNER; *Maria del Carmen Acevedo Cotto*, PRESIDENT; *Angel Santos Corrada*, VICE-PRESIDENT	Three school officials pled guilty to fraud charges in U.S. District Court, San Juan, Puerto Rico. Gerardo Hipolito Tirado Torres, owner of Advance Business College (ABC), pled guilty to one count each of bankruptcy fraud, mail fraud, SFA fraud, and money laundering. Maria del Carmen Acevedo Cotto, president of ABC, pled guilty to three counts of mail fraud and one count of SFA fraud. Angel Santos Corrada, ABC's vice-president, pled guilty to one count of SFA fraud. An OIG investigation developed evidence that ABC operated four branch campuses without a license from the Puerto Rico Department of Education. It was also found that ABC fraudulently requested and misappropriated $3,335,729 in Pell Grant funds for students enrolled at these ineligible branch campuses.

~ SENTENCINGS ~	
STATE—Subject	**Description**
AL—BIRMINGHAM COLLEGE OF ALLIED HEALTH, INC., Birmingham, AL; *James Ronald Rippetoe*, OWNER AND PRESIDENT	James Ronald Rippetoe, owner of the defunct Birmingham College of Allied Health, Inc., Birmingham, AL, was sentenced in U.S. District Court for the Northern District of Alabama. Rippetoe was sentenced to serve 15 months of imprisonment and was ordered to pay a fine of $15,000 and to make restitution of $105,000. Rippetoe had earlier pled guilty to count one of a three-count indictment charging embezzlement of Pell Grant funds. The sentence capped a lengthy investigation involving abuse of ED funds by Birmingham College of Allied Health officials, which also resulted in a guilty plea and a pre-trial sentence of the college's financial aid officer.

~ SENTENCINGS ~	
STATE—Subject	**Description**
CO—FIRST AMERICAN SAVINGS BANK, Longmont, CO; *Kerry L. Murdock*, TREASURER AND CHIEF FINANCIAL officer	Kerry L. Murdock was sentenced to five years probation and ordered to pay $20,000 in restitution and perform 200 hours of community service after pleading guilty to two counts of misapplication of bank funds. A joint OIG/FBI/Internal Revenue Service (IRS)/Resolution Trust Corporation investigation disclosed that Murdock, former treasurer and chief financial officer of First American Savings Bank (FASB), Longmont, CO, and other bank officials illegally transferred funds, including Federal student loan funds, to FASB's holding company, National Savings Bancorporation. Murdock also agreed to cooperate with Federal agents in connection with the investigation of FASB's former president and chief executive officer, John J. Hilliard, who was named in a 25-count indictment for allegedly masterminding the scheme to transfer $1,100,000 to the National Savings Bancorporation, of which Hilliard was president, director, chairman of the board, and majority stockholder. Until its failure in March of 1990, FASB was one of the largest student loan lenders in the Rocky Mountain Area.
LA—FRAUD RING, Shreveport, LA	Eleven individuals were sentenced in the Northern District of Louisiana, Shreveport, LA, after pleading guilty to bills of information charging mail fraud, SFA fraud, and use of a false Social Security number. Deon D. Nelson, leader of the fraud ring, was sentenced to 3 years and 10 months in prison and was ordered to make restitution of $328,000. Five of the remaining 10 individuals were sentenced to prison terms ranging from 4 to 10 months and to make restitution of amounts ranging from $8,000 to $68,000. The other five individuals were each sentenced to serve three years probation and were ordered to pay restitution of from $1,040 to $8,000. An OIG investigation found evidence that a total of 16 individuals used false names and Social Security numbers and forged the school section of student loan applications with the names of various Northern Louisiana colleges and universities. None of the participants in this PLUS loan scam attended any of the institutions.

~ SENTENCINGS ~	
STATE—Subject	**Description**
MI—FRAUD RING, Detroit, MI; *Glen Dixon, Sean Welch, Sandra Miller, Marcel Miller, Elbert Embry, et al.*	An OIG investigation of a PLUS loan fraud scheme in Detroit, MI, resulted in the sentencing of 10 individuals in the Eastern District of Michigan. Among the individuals sentenced were the following. o Glen Dixon and Sean Welch, who devised the scheme, each pled guilty to one count of conspiracy after being charged with SFA fraud, mail fraud, and conspiracy to commit fraud in connection with the scheme, which resulted in the submission of 75 PLUS applications totaling $142,000. Dixon was sentenced to serve four years probation and eight months home detention, and was ordered to pay restitution in the amount of $8,760 and pay a $50 special assessment. Welch was sentenced to serve three years probation and 180 days home detention, and was ordered to pay $4,000 in restitution and a $50 special assessment. o Sandra Miller, who was recruited by Dixon and Welch, was sentenced to serve two years in prison and three years supervisory release, and was ordered to pay $83,968 in restitution and $50 special assessment. o Marcel Miller, a former Detroit police officer, was sentenced to 15 months in prison and 3 years supervisory release, and was ordered to pay $48,000 in restitution, to be paid jointly and severally with co-defendants, and a $50 special assessment. o Elbert Embry, a former Detroit police officer, was sentenced to 14 months in prison and 2 years supervised release, and was ordered to pay $44,000 in restitution, to be paid jointly and severally with co-defendants, and a special assessment of $50.
MI—MICHIGAN PARAPROFESSIONAL TRAINING INSTITUTE, Detroit, MI; *Miguel Prendes* and *Shirley Stofflet (Prendes)*, OWNERS	Miguel Prendes and Shirley Stofflet (Prendes), former owners of Michigan Paraprofessional Training Institute, were sentenced on their convictions for student loan fraud and payroll tax evasion. Each had earlier pled guilty to a superseding information charging one count of SFA fraud and one count of income tax fraud totaling $1,165,000 in the Eastern District of Michigan. The two were previously named in a six-count indictment charging SFA fraud, false statements, and conspiracy to defraud the United States. Prendes and Stofflet were each sentenced to 18 months imprisonment and ordered to serve a 3-year term of supervised release following their prison term, and to jointly pay restitution in the amount of $1,174,136. A joint OIG/U.S. Secret Service investigation revealed that the subjects overstated the amount of grant money for which their students were eligible.

~ SENTENCINGS ~	
STATE—Subject	**Description**
NJ—*James Arthur Hogue*; Princeton, NJ	James Arthur Hogue was sentenced on New Jersey State charges to nine months in jail and five years probation and ordered to pay $21,124 in restitution and serve 100 hours of community service, for posing as a Princeton University student from September 1989 to February 1991 using the alias Alexi Indris Santana. Hogue also used a false name and date of birth to fraudulently obtain $40,620 in student financial assistance, $18,220 of which was federally funded. Hogue's true identity came to light at a track meet at Yale University when a member of Yale's track team recognized Hogue as the man who masqueraded as a high school student in Palo Alto, California, under the name Jay Mitchell Huntsman. Further investigation revealed that Hogue had an outstanding criminal warrant for parole violations in Utah, where he served time for criminal possession of stolen property.
PA—PBI CAREER CENTER, Pittsburgh, PA; *Victor S. Cianca*, OWNER AND PRESIDENT	Victor S. Cianca, former owner/president of PBI Career Center, Pittsburgh, PA, was sentenced to 25 months in prison and 3 years supervised probation and ordered to pay a special assessment of $1,250 after a Federal jury in Pittsburgh found him guilty on 25 counts of student aid fraud. Evidence at the trial established that Cianca stole a total of $120,569 in guaranteed student loan and Pell Grant funds for students who did not attend PBI. This case was investigated jointly by the OIG and the FBI.
PA—*James Nash*; Philadelphia, PA	James Nash was sentenced in the Eastern District of Pennsylvania to three years probation and six months home confinement, and was ordered to pay a $150 special assessment. Nash was also ordered to make full restitution of all fraudulently obtained Federal and non-Federal aid within the three-year probationary period. Nash, a former IRS employee, previously pled guilty to two counts of mail fraud and one count of making a false statement in connection with obtaining $24,595 in financial aid to finance his daughter's education at Temple University in Philadelphia. This investigation was worked jointly with the Postal Inspection Service.

~ OTHER INVESTIGATIVE RESULTS ~	
STATE-Subject	**Description**
IL—ST. AUGUSTINE COLLEGE, Chicago, IL; *Carlos Plazas*, PRESIDENT	Attorneys for the Department of Justice, Civil Division, and Carlos Plazas, the president of St. Augustine College, Chicago, Illinois, entered into an agreement for the purpose of settling the previously filed civil fraud suit against St. Augustine College, Spanish Episcopal Services, the Rev. Carlos Plazas and other officers and administrative personnel. The settlement agreement called for St. Augustine College, *et al.* to pay $795,000 to the U.S. government. The agreement also specified that all costs therein incurred are unallowable costs for government accounting purposes. As a condition to the agreement, the Department of Justice filed a stipulation to dismiss the civil fraud suit.

GLOSSARY OF TERMS

The following are definitions of specific terms as they are used throughout the report.

- ***Audit reports issued*** are reports of audits completed by OIG, as well as those processed by OIG but completed by other Federal auditors; by State, institutional, and other non-Federal governmental auditors; and by independent public accountants. Processing of reports of audits completed outside OIG includes assessing the quality of the work performed and transmitting the report to program managers.

- ***Audit reports resolved*** are reports on which Department management has made a written final determination of the action to be taken on the report's findings and recommendations.

- ***Better use of funds*** is a recommendation that funds could be used more efficiently if responsible officials took actions to implement and complete the recommendation by means including:
  - reductions in outlays;
  - deobligation of funds from programs or operations;
  - withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
  - costs not incurred by implementing recommended improvements related to the operations of the Department, a contractor or grantee; or
  - any other savings that are specifically identified.

- ***Civil judgment*** is a court order, entered in a civil action, that the parties to the suit do, or refrain from doing, certain acts. These may include the withdrawal of claims filed against the government or the payment of funds by one party to the other.

- ***External audits and special projects*** include individual regional audits and special projects which focus on local, rather than nationwide, issues; audits which result from special requests by program managers, Hotline complaints, and other allegations; and audits which follow up on issues disclosed in non-Federal audits.

- ***Fines*** are monetary penalties imposed by Federal or State courts as part of a criminal sentence.

- ***Information*** is an accusation in writing, filed with the court by the U.S. Attorney, against a person named therein for some criminal offense, as distinguished from an indictment brought by a grand jury. Misdemeanors may be prosecuted by either indictment or information; felonies must be prosecuted by indictment unless waived by the defendant in open court. If indictment is waived, a felony may be prosecuted by information.

- ***Nationwide and internal audits*** identify and address problems and recommend improvements both internal and external from a broad, national perspective, to ensure that Federal education funds are used effectively and efficiently and that program goals are accomplished. In addition, some of these audits focus specifically on the internal management activities of the Department.

- ***Non-Federal audit activities*** are directed to the review and processing of non-Federal audit reports, as well as providing technical assistance to recipients of Federal financial assistance and non-Federal auditors in meeting audit requirements.

- ***Other recommended recoveries*** are recommendations for the recovery of funds for reasons other than those identified for questioned costs. Recommendations to recover excess cash held by a recipient, previously written-off accounts receivable and overallocations of program funds are examples of other recommended recoveries. Amounts that will ultimately be refunded to the Federal government or recovered by other means are dependent upon final determinations made by the responsible program managers and possible subsequent adjudication. Other than in our Statistical Profile and the "Audit Resolution and Recovery of Funds" section of this report, recommendations for other recoveries are not mentioned separately but are included in our statistics for questioned costs.

- ***Questioned costs*** are expenditures of funds which the auditor questions because of:

  — an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; or

  — a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

- ***Recoveries*** are funds returned by recipients to the Department or to recipients' program accounts or third parties, or reductions of future payments or awards made as a result of, or during the course of, audit or investigative activities. This term does not include court-ordered fines or civil judgments.

- ***(Reports issued with) major changes*** are reports that required major changes or required the correction of substandard audit work which, if not corrected, would result in diminished reliability or usability of the report.

- ***(Reports issued with) minor changes*** are reports with deficiencies in the report and/or audit work that required correction but were not of a nature that affected the reliability or usability of the report.

- ***(Reports with)*** significant inadequacies are reports with deficiencies, either in the report or in the audit work, that are so serious as to make the report unusable in fulfilling one or more objectives of the audit, or that make the report unreliable. These reports, combined with the reports issued with major changes, comprise our universe of substandard audits.

- ***Restitution payments collected*** are reimbursements of ED funds actually collected by the Department this period which were ordered by Federal, State or local courts during this or previous periods.

- ***Restitutions ordered*** are reimbursements of Department funds ordered by Federal, State or local courts as part of a criminal sentence.

- ***Unsupported cost*** is a cost that is questioned by the auditor because, at the time of the audit, such cost was not supported by adequate documentation.

GLOSSARY OF ABBREVIATIONS

ABC	Advance Business College
ACN	audit control number
AFMS	Accounting and Financial Management Service
AICPA	American Institute of Certified Public Accountants
BUF	better use of funds
CFO	chief financial officer
CPA	certified public accountant
CPE	continuing professional education
ED	U.S. Department of Education
ESEA	Elementary and Secondary Education Act of 1965
FASB	First American Savings Bank
FBI	Federal Bureau of Investigation
FFELP	Federal Family Education Loan Program
FLP	Facilities Loan Program
FMFIA	Federal Managers' Financial Integrity Act
FY	fiscal year
GCS	Grants and Contracts Service
HEA	Higher Education (Act)
IAP	Impact Aid Program
IRS	Internal Revenue Service

ITI	International Technical Institute
LSARB	Lender and State Agency Review Branch
M	million
MIR	management improvement report
MTI	Microcomputer Technology Institute
NSLDS	National Student Loan Data System
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education
PDE	Pennsylvania Department of Education
PPMS	Policy, Planning and Management Services
PRDE	Puerto Rico Department of Education
Q	questioned
QCR	quality control review
QEP	Quality Education Project
SFA	student financial assistance (student aid)
SJCC	San Juan City College
SLS	Supplemental Loans for Students
U	unsupported
UNO	University of Nebraska at Omaha
VR	vocational rehabilitation

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